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Israel's cabinet ratified last month's interim peace accord with the Palestinians, paving the way for an Israeli troop pullback from 13 per cent of the West Bank. Page 6

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Carlos Cabal Peniche, a former billionaire banker and one of Mexico's most-wanted fugitives, has been arrested in Australia where he was living as an Italian grocer, Mexican officials said. Page 16

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The UK government has had to delay publication of its first annual accounting of arms exports, one of the ethical foreign policy undertakings it gave last year. Page 10

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Australian prime minister John Howard is under attack because he plans to meet Malaysian leader Mahathir Mohamad at an Asia-Pacific heads of government meeting in Kuala Lumpur. Page 8

Japan's PM visits Moscow
Japanese prime minister Keizo Obuchi arrived in Moscow on the first official visit to Russia by a Japanese leader for 25 years.

$3bn loans to Argentina approved
The World Bank approved $3bn in emergency loans "to safeguard Argentina's social and economic achievements" in the face of international financial uncertainty.

Pilots seek to counter 'air rage'
German airline pilots urged their employers to help avert "air rage" attacks by offering nicotine to smoke-starved passengers and cutting down the amount of alcohol served during flights.

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The alliance between Cable and Wireless of the UK and Telecom Italia, which would have led to the creation of the world's second largest carrier of international telecommunications traffic, has been abandoned. Page 17; Lex, Page 16; C&W static at £1bn, Page 25

Schering, the pharmaceuticals group, will today become the first German company to proceed with a buy-back of its own shares, even though the tax status of such a move remains unclear. Page 20

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Bayer, the German chemicals and pharmaceuticals group, warned that sales would stagnate this year and earnings would increase only slightly. Page 20

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Prince Waleed Bin Talal, the Saudi investor, has acquired a stake of nearly 10 per cent in United Bank for Africa, Nigeria's third largest bank. Page 24

Euro Prices
A comprehensive statistical guide to the euro currency zone, covering foreign exchange, bond and equity markets. Page 28

US boosts forces in Gulf as pressure grows over strike

By Stephen Fidler in Washington, Michael Littlejohn in New York and Roula Khalaf and Robert Peston in London

US-led military action against Iraq came closer yesterday as the US sent more warplanes and forces to the Gulf and United Nations weapons inspectors and humanitarian personnel were withdrawn from the country.

Richard Butler, the head of the UN commission providing weapons inspectors in Iraq, said he had ordered 103 inspectors to leave Iraq. They flew to Bahrain yesterday morning, based on "a strong recommendation" from the US. Saddam Hussein, Iraq's president, suspended co-operation with the weapons inspectors 11 days ago. The UN also evacuated 130 relief staff involved in the oil-for-food programme, which allows Iraq to sell limited amounts of oil to buy humanitarian goods.

In New York, the UN Security Council scheduled an emergency meeting at the request of Russia, which wanted Mr Butler to explain the pull-out. Kofi Annan, UN secretary general, cut short a trip to North Africa.

Oil prices rose 41 cents on the news to $12.45 a barrel for December Brent crude. Prices later drifted back to about 25 cents above Tuesday's close.

Washington said it was sending 129 more warplanes and 3,000 more military forces to the region. However, the US has said it has sufficient military resources in place to launch a military action immediately. There are already 23 US ships in the area, eight of which are capable of firing Tomahawk cruise missiles, as well as 173 aircraft and 23,500 members of the armed forces, according to the US Defence Department.

The US and Britain recommended pulling out staff from embassies in Kuwait. The US issued a similar recommendation to its embassy in Israel.

US President Bill Clinton yesterday said he still preferred to resolve the crisis peacefully. But if the UN weapons inspectors were not allowed to do their job in Iraq, "they may as well be in Baltimore, not Baghdad. That would open a window of opportunity for Iraq to rebuild its arsenal of weapons and delivery systems in months – and I say again – months, not years."

Speaking before the Veterans' Day wreath-laying, Mr Clinton said: "A failure to respond could embolden Saddam to act recklessly, signalling to him that he can with impunity develop these weapons of mass destruction or threaten his neighbours.

"We continue to hope – indeed pray – that Saddam will comply [with UN security council resolutions], but we must be prepared to act if he does not."

Tony Blair, UK prime minister, issued what appeared to be a final warning to Mr Saddam to reverse his decision to co-operate with UN inspectors. "We will act if he does not immediately come back into compliance with the UN resolutions and abide by the agreement he has made," Mr Blair said.

West plans damaging strike, Page 6
Exit Baghdad, Page 14

Tariq Aziz 'on secret arms committee'

Tariq Aziz, the Iraqi deputy prime minister and his country's chief negotiator with the UN, belongs to a secret committee charged with hiding weapons of mass destruction from arms inspectors, according to information given to western intelligence by a recent defector from Baghdad.
Special report, Page 6

Britain's Queen Elizabeth and French President Jacques Chirac pay their respects after unveiling a statue of Sir Winston Churchill in Paris. Page 2

Brussels seeks ban on animal feed antibiotics

By Michael Smith in Brussels and David Pilling in London

The European Commission will today seek to ban the use of several antibiotics used in animal feed because of concerns that overuse could build up bacterial resistance in humans.

A ban on four of the eight antibiotics used in animal feed could halt drugs sales worth about Ecu700m a year. The move is likely to provoke strong opposition from farmers as well as from main drugs suppliers to the animal market, such as Rhône-Poulenc and Pfizer.

Franz Fischler, European Union farm commissioner, has also asked scientists to review the use of the remaining four antibiotics, raising the possibility that they too will be banned.

The recommendation is controversial because scientists have yet to prove that use of the four antibiotics in feedstuffs is increasing human resistance to medicines.

Antibiotics are used by farmers to promote growth of pigs and poultry and to increase their resistance to disease.

The Commission's farm directorate argues that farmers can do without them, especially at a time of an over-supply of pig meat.

Concern on their use has not been limited to Europe. This year, a panel of the US's National Academy of Sciences recommended the creation of a national database to monitor microbe-related illnesses and trends in antibiotic resistance.

The panel, backed by the US Department of Agriculture and the Food and Drug Administration, estimated that between 60 and 80 per cent of cattle, sheep, swine and poultry in the US would be given antibiotics at some point.

Mr Fischler is pushing the ban on four antibiotics because either they, or closely related drugs, are used in human medicine. He is likely to argue that the ban is consistent with the EU's "precautionary" approach to food safety, which has become more marked since the BSE – "mad cow" – crisis of 1996.

Such caution on food policy has contributed to growing trade friction with the US. But Mr Fischler's proposal would not ban the use of antibiotics in feed given to animals intended for export to the EU.

If approved by member states, the use in animal feed of Spiramycin (manufactured by Rhône-Poulenc), Virginiamycin (Pfizer), Tysolin phosphate (Elanco) and Bacitracin Zinc would be prevented.

The eight antibiotics used in animal feed account for about 15 per cent of all antibiotics sold in the EU, according to European Commission figures. Industry estimates put the total value of antibiotic sales in the EU at between Ecu9bn to Ecu10bn.

Mr Fischler will put forward his proposal at a meeting today of the EU's standing committee on feedstuffs. Votes on the issue, either among committee members or EU farm ministers, are likely later this year or early next. Commission officials believe it would be hard for farm ministers to reject a scheme aimed at protecting public health.

Some antibiotics are banned in animal feed throughout the EU. In addition, Sweden and Finland have exemptions to ban some of the eight in use throughout the rest of the EU.

Chinese investors in protest march over collapsed brokerage

By James Kynge in Beijing

More than 200 angry investors cheated in a get-rich-quick scheme marched through central Beijing yesterday in one of the boldest protests seen since the 1989 crackdown on student protests in Tiananmen Square.

The demonstrators, mostly retail investors with brokerage house Xin Guo Da, were kept from approaching the square by a police cordon. One investor was arrested for organising the demonstration.

Such protests, though still rare, are becoming more common in China as the economic slowdown scuppers several financial institutions, dashing expectations of rapid prosperity.

Several hundred wholesalers blocked traffic in the Chinese capital this month after a department store closed without paying its bills.

Yesterday's protesters walked to the building of the official Xinhua news agency, which they accused of unfair reporting of the Xin Guo Da case.

Xinhua had reported that the company, which shut its doors in August, had been bought "illegally" by private entrepreneurs from its state-backed owners last January.

The use of the word "illegal" convinced many investors that the government was preparing arguments to avoid having to compensate them.

The Taiwanese operator of the brokerage house, Ni Wen-liang, and two Chinese citizens were arrested last week, Xinhua said.

Thousands of ordinary Chinese were lured into putting their life savings in Xin Guo Da, which promised high monthly payments through clever investments in the volatile green bean and soya futures market. The brokerage attracted 4,000 investors who deposited a total of Rmb 532m ($64.3m), Xinhua said.

Mr Ni's sales pitch included ushering people into an auditorium and showing pictures of himself meeting several members of China's politburo – the ultimate business cachet for some in China.

One investor standing near the marble-fronted Xin Guo Da building in Beijing said she had invested Rmb 60,000 which the family had put aside for their son's education.

"We all thought that this company was a state company," she added. "Now the government will not help us. I am desperate."

The government is planning a thorough reorganisation of its speculative futures markets. The shake-up is expected to reduce the number of exchanges from 14 to three.

WORLD MARKETS

STOCK MARKET INDICES		
New York lunchtime		
Dow Jones Ind Av	8,871.70	(+7.72)
NASDAQ Composite	1,881.03	(+15.41)
Europe and Far East		
CAC40	closed	
DAX	4,717.70	(+54.92)
FTSE 100	5,476.8	(+44.5)
Nikkei	14,428.02	(+319.93)
US RATES		
Federal Funds	closed	
3-mth Treas Bills: Yld	closed	
Long Bond	closed	
Yield	closed	
OTHER RATES		
UK: 3-mo Interbank	6⅞%	(same)
UK: 10 yr Gilt	130.54	(131.11)
France: 10 yr OAT	133.51	(133.54)
Germany: 10 yr Bund	104.31	(104.41)
Japan: 10 yr JGB	108.32	(108.51)
NORTH SEA OIL (Argus)		
Brent Dated	$11.43	(11.14)

GOLD		
New York Comex		
(Dec)	$293.7	(294.2)
London	$293.25	(292.75)
EXCHANGE RATES		
Dollar		
New York lunchtime		
£	1.662	
DM	1.67825	
FFr	5.6277	
SFr	1.3845	
Y	121.55	
London:		
£	1.6612	(1.6624)
DM	1.6783	(1.684)
FFr	5.627	(5.6474)
SFr	1.3848	(1.3691)
Y	121.6	(122.47)
Tokyo close:		Y 121.5
Sterling		
DM	2.788	(2.7994)

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WORLD NEWS
EUROPE

TURKISH POLITICS **PM FACES TWO CENSURE MOTIONS**

Yilmaz plagued by corruption claims

By Christopher de Bellaigue in Ankara

Mesut Yilmaz, Turkey's prime minister, last night faced two motions of censure and desertion by a key political supporter in the wake of corruption allegations broadcast on television by a businessman.

Members of the conservative True Path party tabled a motion accusing Mr Yilmaz of "abusing his position by forming links with Mafia leaders," following broadcasts of the allegations on Tuesday night.

A second motion was tabled by the main opposition Virtue party yesterday. If a majority of Turkey's 550-member parliament should vote against him, Mr Yilmaz would have to resign.

Mr Yilmaz went on television last night to describe the charges as "a grand plot designed to obstruct the government's struggle against the mafia." He said he saw no reason to resign.

A day earlier, television stations owned by Korkmaz Yigit, a scandal-tainted businessman, had broadcast his claim that the prime minister, the economy minister and the governor of the central bank had influenced the result of a privatisation tender for Turk Ticaret Bankasi, a medium-sized bank.

Mr Yigit, who spent much of yesterday being questioned by police investigating links between business and the mafia, bought Turk Ticaret Bankasi for $600m in July. The Treasury has since blocked the sale, pending the results of a parliamentary inquiry.

Yildirim Aktuna, a state minister and senior member of the Democrat Turkey party, a member of the ruling coalition, said that, if Mr Yigit's allegations were true, it would be "extremely hard, even impossible for the government to survive."

The censure motions, which may be merged into one, are unlikely to come before parliament before December 15, when next year's budget discussions are due to finish. The attitude of Deniz Baykal of the Republican Peoples party which has supported the government from the outside, will be crucial. Last night he said: "We are ready to do whatever is necessary to remove the government from office."

If the government falls and Turkey's fractured parliament fails to produce a replacement within 45 days, a general election must be called. In the summer, Mr Yilmaz secured approval for elections next April.

Mr Baykal has been on the offensive since August, when incriminating cassette tapes released by Alaattin Cakici, a suspected mafia leader arrested in France, prompted fears that Turkey's privatisation process was being run by underworld mafia dons and crooked parliamentarians.

Uncertainty caused by Mr Yigit's recorded statement sent the Istanbul Stock Exchange benchmark 100-index down 14.9 per cent yesterday. Bankers say it also struck a severe blow to Turkey's hopes of resuming borrowing on international markets.

Erdogan ban hits Virtue

By Leyla Boulton in Istanbul

Whether or not the corruption scandals that erupted onto Turkey's airwaves yesterday force early elections, the country's most charismatic candidate for the post of prime minister will be out of the running. In fact, he will be in jail and banned from public life.

Recep Tayyip Erdogan: found guilty of inciting hatred AP

Recep Tayyip Erdogan, the Islamist mayor of Istanbul, will be deposed from his position today, when the city council elects a successor. He will also begin a four month prison sentence, following his conviction earlier this year for inciting hatred.

Many Turks believe it is no coincidence that the 44-year-old mayor has been sentenced just in time to disqualify him from elections due early next year. Along with the prison sentence comes a ban from holding public office. The elections could come earlier if Mesut Yilmaz, prime minister, succumbs to corruption allegations.

It is also widely believed that Turkey's powerful military, which last year unseated Mr Erdogan's Islamist Welfare party, was behind the court decision to send him to jail.

Mr Erdogan would be a hit on any campaign trail in the western world. But his very charisma – combining the athletic build of a former sportsman with an impressive track record in office – makes him, in some eyes at least, one of the most dangerous politicians in Turkey.

He had been, if nothing else, a strong candidate to be the next leader of the Virtue party, which has replaced Welfare as the mainstream Islamist party since Welfare was excluded from political life.

Welfare's poor performance in government in Ankara, under the premiership of Necmettin Erbakan, was in sharp contrast with the praise heaped on Mr Erdogan by both the lower classes and the westernised elite of Istanbul. He has cut back corruption and water shortages, and replenished the once-empty coffers of Turkey's largest city.

Mr Erdogan's crime was to recite a poem which described minarets as bayonets, mosques as barracks and believers as soldiers. He says his comments were taken out of context and argues that he and the Virtue party firmly support a secular state and a market-based economy. "My religion has nothing to do with government but with personal belief. My aim is that all people should live their religiousness in the way they want," he said.

Despite this apparent blow to the Virtue party's greatest asset, the legal system and the military seem powerless to battle the uneven income distribution, political instability, and corruption allegations which continue to feed popular support for Turkey's Islamist movement.

The burst of corruption allegations against Mesut Yilmaz, prime minister, which led to calls for his resignation yesterday are likely to give the Virtue party a shot in the arm.

The accusations against Mr Yilmaz and Gunes Taner, the state minister responsible for economy, who have achieved important economic reforms during their 16 months in office, are unproven. But they have provided fodder for renewed squabbling among the secular parties which have so far failed to unite to tackle the country's problems.

"Islam is a threat in the sense that they [Islamists] are using religion" to promote themselves. Once they start it is not easy to stop," says Gokhan Capoglu, a secular politician whose new Changing Turkey party promises a bold reform agenda. "If the government fails to take action against the causes of the rise of Islam rather than its consequences, Islam may become a larger threat," he added.

Winston Churchill statue unveiled in Paris

By Robert Graham in Paris

France yesterday honoured Britain's wartime leader, Sir Winston Churchill, with the unveiling of a three metre bronze statue in central Paris on the day both nations marked the 80th anniversary of the armistice ending the first world war.

The occasion, hosted by President Jacques Chirac and Queen Elizabeth, was replete with symbolism designed to underscore the powerful links between the two nations.

The sculpture of Churchill shows him strutting forward in the same Royal Air Force greatcoat he wore on November 11, 1944 accompanying Gen Charles de Gaulle as they marched in the Champs Elysée. That day the two men had also laid wreaths at the statue of Georges Clemenceau, the towering French statesman of the first world war.

The Churchill statue was sited off the Champs Elysée by the Petit Palais, looking towards that of Clemenceau, and on an avenue already bearing Churchill's his name. Few modern foreign political figures have been honoured with a statue in the French capital: the tribute is normally limited to street names.

Britain unveiled a statue to Gen de Gaulle in London in 1993. A public subscription was opened in France towards the FFr1.7m ($300,000) cost of the Churchill monument, but the city of Paris ended up chipping in FFr400m for the sculpture by 68-year-old Jean Cardot.

President Chirac praised Churchill's courage and determination, in the most fulsome praise by a French head of state for Britain's help to France during the second world war.

Brussels calls for more worker consultation

By Michael Smith in Brussels and Robert Taylor in London

European Union companies employing 50 people or more will face tough sanctions if they fail to consult employees on redundancies and selling subsidiaries, under controversial proposals unveiled yesterday by the European Commission.

Employers flouting the proposed directive could face fines and their decisions to sever employment contracts could be declared null and void. The proposals are opposed by several governments including Britain's. They have also been attacked as an "unwarranted interference" by Unice, the European employers' federation.

A Downing Street spokesman said yesterday that the UK had won the backing of Gerhard Schröder, German chancellor, against the proposed directive. The UK government is convinced it has received assurances from other EU governments to block the directive, which must be approved by a qualified majority of countries if it is to become law.

Padraig Flynn, EU employment commissioner, said his proposal would be good for business and would help create a more flexible approach to work reorganisation.

His directive was backed by a majority of his 19 colleagues in the European Commission, the EU's executive, after he agreed to raise the threshhold of companies to be covered from 20 employees to 50. Sir Leon Brittan and Martin Bangemann, commissioners for external affairs and industry, opposed the directive.

Large companies operating across borders are already forced to consult workers under so-called "works councils" arrangements but smaller employers with businesses in only one country have fewer obligations to consult.

Opponents of yesterday's proposals say the EU has no justification for interfering in the running of companies that operate in only in one country.

Mr Flynn's proposals would cover about half of all EU employees but only about 3 per cent of companies.

Employers with 50 employees would be required to inform and consult workers on "forseeable development of employment" within the undertaking and on decisions likely to change work organisation and contractual relations.

Member states would have to provide for "adequate penalties which are effective, proportionate and dissuasive" against companies which infringed the rules.

The Commission says the details of the laws, including whether to levy fines, should be decided by member countries according to local circumstances.

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RUSSIAN TURMOIL PRIMAKOV BOMBARDED WITH 'ADVICE'

Economists weigh in with strategies

By John Thornhill in Moscow

Two months after becoming prime minister, Yevgeny Primakov still has not drawn up a comprehensive action plan to haul Russia out of its economic crisis. Yet it seems the whole nation has pitched into the debate about what needs to be done.

If economic talk rather than economic activity was a measure of a country's wealth then Russia would be rich indeed.

On Tuesday, Mr Primakov discussed a variety of "scenarios" for the 1999 budget with the Duma, the lower house of parliament, without reaching any concrete conclusions or proposing any legislation. They gave their vague backing to an equally vague proposal.

Yesterday, it was the turn of some of Russia's most prominent – and voluble – economists to discuss "anti-inflationary politics and a strategy for economic growth in Russia".

The debate, sponsored by several academic institutes, provided an intriguing glimpse into current economic thinking, highlighting how Russia is still groping to find a "middle way" between Soviet-era policies and the economic "liberalism" of the last seven years.

Lydia Krasavina spoke for an older generation of Russian economists when she condemned the previous government's failed "monetarist policies" and called for radical changes.

Her remedies reflected much of the thinking, which has been aired – if not yet implemented – by Mr Primakov's government.

She called for tax reform, an orderly restructuring of Russia's external debts, the forcible return of flight capital, and limited money printing. She also argued for the imposition of price controls and the de-dollarisation of the economy.

"Can you imagine what it would be like in Great Britain if prices were in dollars?" she asked to murmurs of approval.

Central bank has assumed primary role in guiding economy in the absence of government plan

Andrei Illarionov, a younger economic liberal, responded that the population saved its money in dollars precisely to protect itself from such confiscatory economic policies.

He defined inflation as the "continuation of fiscal policies by monetary means" saying it must be strictly controlled if economic growth were to resume.

It was left to Tatyana Paramonova, first deputy chairman of the central bank, to try to meld these conflicting views.

In recent weeks, the central bank has assumed the primary role in guiding the Russian economy in the absence of a clear government programme.

Ms Paramonova, who temporarily headed the central bank from 1994-95 when it ran an extremely tight monetary policy, reiterated her belief that it was important to keep inflation low. But she questioned whether it had been right to lower inflation so rapidly fearing it had created "imbalances" in the economy.

In a sharp reversal of its earlier stance, the central bank would now allow the rouble to float and cut interest rates to encourage growth in the economy, she said.

More emphasis would be placed on other economic indicators, such as unemployment rates, trade balances, and industrial output statistics, in framing monetary and credit policy.

Some economists argued Mr Primakov's government had still not explained how it could introduce a "socially-oriented market economy" without re-igniting inflation. But everyone agreed the talking must continue.

"There has been an absence of dialogue," said Mr Illarionov.

He added: "It is very important for the development of our society and our economy that we have such debates."

Russians hungry for food and way out of crisis

Despite assurances of aid from the US and Europe many in the regions face a bleak winter, writes **Arkady Ostrovsky**

The people of Kostroma brave freezing weather to queue for cabbages

Legend has it that the icon of the Virgin in Kostroma's church of the Epiphany darkened on July 17 1918, the day the Bolsheviks killed Tsar Nicholas II, and will brighten again only once Russia has peace and order. At the moment, say the people of Kostroma, the icon is only getting darker.

Kostroma, once a rich merchant town on the banks of Volga river famous for its magnificent white churches, has been included by the International Red Cross on a list of Russian regions which could face severe food shortages this winter. The deepening financial crisis, unpaid wages and pensions, soaring food prices and a poor potato harvest last year have left 67 per cent of the area's 800,000 population below the poverty line.

According to the Russian Centre of the Standard of Living, 79m Russians now live in poverty, out of a total population of 150m. In addition, meteorologists predict this winter will be the coldest in 30 years.

"A lot of people face the threat of food shortages and malnutrition. We have to be prepared for the worst case scenario," said Borje Sjokvist, head of the Red Cross Moscow Delegation, which has recently launched its winter appeal.

Last week the government said food stocks were running low and the country, which imports more than half of its food, needed foreign help to get through the winter. According to Vladimir Vinogradov, a deputy head of the local administration 166,000 people in the Kostroma region, mostly in small villages face the threat of starvation this winter. In some areas, he said, they already are starving.

The US has announced a $600m food aid package while the European Commission is prepared to provide the country with $472m worth of food aid. But is there really a risk that Russians will starve?

The ministry of agriculture has brushed off the danger, arguing that it has been exaggerated by the media in the interest of western food producers.

Food shops in Kostroma, 220 miles north-east of Moscow, are stuffed with imported products, but they testify to the poverty rather than prosperity of the local population. "If people had money these shops would be empty by now," said Mr Vinogradov.

According to Evgeny Trepov, a local businessman who owns a network of grocery stores, food consumption has halved in real terms since August.

Most local workers have not been paid for at least five months and 80 per cent of the region's economy is based on barter.

Irina Grigoryevna, a paediatrician who has not received her salary for four months must root through a pile of clothes in a local Red Cross office. "You can't imagine how humiliating all this is. I am not an alcoholic, a drug addict, or a tramp," she says. "I worked for 20 years as a doctor. But I can not feed myself."

Looking into her Red Cross food parcel, which contains a cabbage, a bottle of sunflower oil and a tin of meat she weeps. "I really do not know what we are going to eat this winter. I am afraid we are going to starve."

Alevtina Koroleva, who works at a local hospital, says her nurses occasionally faint with hunger during shifts. The hospital is unable to feed its patients properly and medical stocks are low. "Before the crisis we could give our patients some meat. Now we are unable to provide them with milk or butter," says Ms Koroleva.

With the government unable to pay wages, let alone provide proper social benefits, social Darwinism prevails putting the elderly, disabled and pensioners at highest risk.

The well-being of a family depends on age the number of children and the ability to grow its own food. According to the ministry of agriculture, 90 per cent of Russia's potatoes and 76 per cent of vegetables are grown from private plots.

Kostroma's poor survive by farming their gardens or by earning some money on the side. Valery Simonov is an Aeroflot pilot based at a local airport, has not seen his salary of Rbs300 ($15) for several months, and even if he had, he would be considered below the poverty line.

In fact, he lives in a well-furnished two-bedroom apartment with his wife and daughter and earns at least Rbs1,500 a month. He works as a night guard at a hotel parking lot. Occasionally he is sent with his small aircraft to Siberia where his pay rises to Rbs2,000 a month.

But while the town still provides an opportunity to earn some money, more remote areas of the Kostroma region, which stretches 300 miles to the north-east, offer little chance of extra earnings. Nor can people in these areas easily grow their own food as 75 per cent of the land is covered by forest.

Last winter the regional administration was handing out bread and onions in the remoter parts of the region. But this winter, says Mr Vinogradov, it might not be able to feed everyone. Nor can it provide all schoolchildren with hot meals: last year 76 per cent of children had hot meals at school, this year only 48 per cent will get them. The rest get a piece of bread and a cup of tea.

NEWS DIGEST

GERMAN COMPETITIVENESS

Promise to limit social security contributions

Walter Riester, Germany's new labour minister, yesterday pledged to maintain the downward pressure on social security contributions paid by employees and employers. A cut in pension contributions by 0.8 percentage points to 19.5 per cent announced last week would not be reversed as part of planned reforms of the overburdened, pay-as-you-go system, Mr Riester promised.

In his first parliamentary speech, Mr Riester, regarded as a close ally of Gerhard Schröder, chancellor, said the government was looking to create "reliable and reasonable" conditions for the creation of new jobs. High social security contributions are blamed for reducing the competitiveness of German labour.

The Social Democrat-led government is planning to fund cuts in social security contributions through higher energy taxes. Mr Riester said "every D-Mark that is raised through the 'ecological' taxes would be converted into lower non-wage costs".

Separately, Mr Riester is proposing that part-time jobs earning more than DM300 ($177) a month should in future be liable to pay pension contributions – compared with DM620 at present. **Ralph Atkins, Bonn**

BOSNIAN RECONSTRUCTION

Speedier reforms urged

Western peace officials yesterday urged Bosnia to speed up economic reforms, warning that foreign investment capital would not start flowing until state companies had been sold off. "No foreign investor, or almost none, will come before the privatisation is completed," said Didier Fau, head of the economic department at the Office of the High Representative, which co-ordinates civilian aspects of the peace process.

Mr Fau said restructuring and privatisation of banks and other reform measures were also needed to attract foreign funds. "Foreign investment is a prerequisite for any take-off of the economy," he said. "So far, the level of foreign investment is very low."

Mr Fau said the international community was not satisfied with the economic situation in Bosnia, which is struggling to rebuild its economy following the devastating 1992-1995 war between Serbs, Moslems and Croats. "Our message is that what has to be done is to accelerate the reforms," he said.

The comments seemed to reflect growing international frustration over the lack of progress in implementing market reforms, seen as necessary if Bosnia is ever going to survive on its own without billions of dollars in donor support.

On Tuesday in Washington, the US, Russia and west European powers signaled their intention to move toward gradually reducing international aid. **Reuters, Sarajevo**

MOLDOVAN GOVERNMENT

No-confidence vote fails

Moldova's government survived a vote of no-confidence yesterday, despite being blamed for falling living standards, a weakened currency and a nosedive in the economy.

Some 38 Communist lawmakers in the former Soviet republic voted to dismiss the government and 20 lawmakers opposed it. Fifty-one votes, more than half the legislators in the 101-seat parliament were needed to pass the motion. The remaining legislators were absent.

The Communists, who brought the no-confidence vote, have accused the government led by Ion Ciubuc, prime minister, of delaying pensions and salaries. The national currency, the leu, has lost almost half its value in recent months, an indirect result of the crisis in Russia.

Vladimir Voronin, Communist leader, said he had expected the motion to be defeated because the government enjoyed the support of a majority in parliament.

The reformist parties that came to power in March promised to speed up reforms, but the three-party ruling coalition has failed to make any progress so far.

A member of the ruling coalition, Dumitru Diacov, yesterday said some ministers might be replaced soon to streamline the government. **AP, Moldova**

Kosovo tense as envoy arrives

By Guy Dinmore in Pristina

Serbian police in full combat gear moved back into the rebel heartland of Kosovo yesterday as William Walker, a US career diplomat, arrived in the province to head an international verification mission.

"I take this opportunity to encourage the political leaderships of all involved in this conflict to choose the way of moderation, the way of sanity, the way of peaceful resolution of differences," Mr Walker said at Pristina airport.

But just 25km away, in the Drenica region, more than 100 heavily armed Serbian police were seen taking up positions they left three weeks ago under a partial withdrawal agreement between President Slobodan Milosevic of Yugoslavia and Richard Holbrooke, the US special envoy.

Police said they were deploying in response to a string of raids by separatist Albanian rebels of the Kosovo Liberation Army (KLA) on now isolated police stations and supply convoys. The KLA in turn accuses the security forces of provoking them with attacks on villages inhabited by Kosovo's ethnic Albanian majority.

"We are ready for attacks against us. There are groups of people out of everyone's control," said the commander of the police station in Malisevo, a former KLA stronghold. The post came under attack on Sunday night and the next morning police found the bodies of two executed colleagues who were captured last Friday.

The Kosovo Verification Mission, led by Mr Walker under the aegis of the Organisation for Security and Co-operation in Europe (OSCE), is seeking to create the conditions for a lasting political settlement that has so far eluded US mediators.

Mr Walker said he could not give an exact date when the full mission of 2,000 observers would be in place. Diplomats are frustrated with the bureaucratic slowness of the OSCE to respond to its task, which Mr Walker said was the organisation's most ambitious yet.

An unofficial ceasefire that has been in place for over a month appears to be unravelling, despite the presence of about 200 members of the Kosovo Diplomatic Observer Mission that was set up five months ago. Mr Walker said OSCE states were "gambling with the lives of their citizens that the overwhelming majority of those living in Kosovo want the violence to end".

TRANSPARENCY AUSTRIA ENTERS DEBATE

ECB urged to publish its minutes

By Eric Frey in Vienna

Viktor Klima, Austrian chancellor and holder of the rotating European Union presidency, has become the first European leader to call publicly for the European Central Bank to publish minutes of its meetings.

"The US Federal Reserve publishes its minutes, there is no reason why the ECB should not do the same," Mr Klima said in an interview with The Financial Times on Tuesday night.

Klima: urged transparency

The question of just how transparent the ECB should be has become increasingly debated in recent weeks, with criticism growing that its existing proposals are not sufficient.

Wim Duisenberg, ECB president, when first asked about publishing minutes, offered to do so only 16 years after the meetings were held. The US Federal Reserve publishes its minutes after two weeks.

"The independence of the central bank has to be guaranteed, but that does not mean there should not be a dialogue and transparency between independent partners", Mr Klima said.

Governments of countries participating in economic and monetary union needed to be informed on the background of central bank decisions as a basis for their own economic and monetary policies, just as the governments inform the central bank of their fiscal plans, Mr Klima said.

While euro-zone monetary policy is to be purely the responsibility of the ECB, the finance ministers of the eleven Emu countries will determine the exchange rate policy for the euro.

Until now, European heads of government have been reticent on the issue of ECB transparency, leaving the European parliament to lead the charge.

The central banks of most continental European countries do not publish minutes.

In July, the ECB directorate decided to keep the minutes confidential to shelter the eleven national central bank governors, who sit on the banks' decision-making council, from political pressure.

The Maastricht treaty, which provides the legal framework for Emu, stipulates that all discussions in the council are confidential. It can, however, publish any information it feels suitable.

Mr Klima's initiative follows recent attempts by Oskar Lafontaine, the new German finance minister, to pressure the Bundesbank, and thus also the ECB, to lower interest rates. But Austria has not supported that line and Mr Klima made clear he believed governments should not try to influence the ECB's monetary policy.

Personal View, Page 14

Dual approach shapes debate on the future of pensions

Jane Martinson explains how the single European currency is likely to help clear obstacles on the road to liberalisation

Living with the euro

Nine speakers set out their views on the future of European pensions at a conference in Brussels last week and not one of them was British.

The UK, which has a larger funded pensions system than any other member state, was limited to sponsoring the meeting and providing the chairman, Lord Tugendhat, chairman of Abbey National, the financial services group. So marked was the absence of any British influence that one delegate quipped that the former commissioner had only been invited because he had a Germanic name.

The agenda at the conference, organised by the European Federation for Retirement Provision, highlighted a dual approach which is shaping the debate on the future of pensions provision in Europe. Supporters of change expect the arrival of the euro next year to help their case.

There is a consensus in the industry that Europe's pension fund regime should be liberalised and the related tax codes co-ordinated. The aim is to enable, for example, a French employee to have his or her pension administered in Ireland, managed by a Dutch manager, while benefiting from tax relief in France.

But some favour using litigation to achieve the goal, while others want a consensual approach.

Signs of these divergent views have become evident in the establishment of the Pan-European Pensions Association. Pepa was formed by a group of multinationals earlier this year to challenge the current legal system, which makes pan-European funds unworkable because of national tax reliefs and the costly bureaucracy required. .

The association plans to do this by prompting a series of test cases that are expected to meet opposition from the national tax authorities and so end up in the courts – ultimately the European Court of Justice.

Pepa has set up an ad-hoc committee, which includes Zeneca, the UK-based pharmaceutical company, Kvaerner, the Anglo-Norwegian engineering group and the British law firm, Eversheds. Others that have expressed an interest include BT, the telecommunications group, and BP, the oil group.

At a meeting held in October, Pepa's UK-based members tried to get continental companies interested in contributing to a fighting fund that would pay for the test cases. They expected support largely from Holland and Ireland, the two other European countries with significant funded pension systems. Other continental European systems are largely based on unfunded state provision.

One observer at the meeting said: "When the time came to stand and be counted for funding purposes, there wasn't a Dutch face to be seen. It was amazing."

Jan Roels, a Belgium-based tax partner at Arthur Andersen, argued at last week's conference in Brussels that the industry should avoid the "bull in a china shop" tactics of using the European Court of Justice and for more "concertation".

One investment consultant said Pepa highlighted the more litigious nature of the British and Americans compared with their continental European counterparts.

"A lot of companies don't want to be seen to be attacking their own national tax authorities," he said. "It might be good for pensions but it won't be good for their own tax bills."

Pepa has argued that the threat of a European Court of Justice ruling would act as an incentive on member states to do something about the issue. Tax policy is one of the last bastions of national sovereignty in Europe and decisions at EU level are subject to unanimous approval.

Mario Monti, the single market commissioner, has explicitly welcomed the cause of Pepa while pushing ahead with separate discussions in a high-level taxation policy group.

Robin Ellison, head of pensions at Eversheds, said he was "reasonably comfortable" that Pepa would attract between 15 and 20 subscribers to its fighting fund by the end of the year – enough to start several legal cases. He hoped to attract greater support from continental Europeans at a later stage. With estimates of potential annual savings thought to be as much as £25m ($41m) per company, he believed most multinationals would want to support any successful campaign.

Whichever approach is chosen, there is a consensus that the establishment of a truly liberalised pensions market will be helped by the introduction of the single currency.

Mr Ellison said the euro "makes things much easier" as it removes the currency restrictions that forced European funds to invest in one country and also "changed the atmosphere". Mr Monti, who told the conference there was an "attitude" to move forward on liberalising pension provision, said: "The euro will clear the remaining obstacles."

With a start date of next January, it is also likely to do so faster than either litigation or compromise.

Greece's Socialists unveil tough budget

By Kerin Hope in Athens

Greece's Socialist government yesterday revealed tough wage measures in a budget designed to ensure the country qualifies next year for membership of the European single currency.

Greece must cut inflation from 4.7 per cent in October to 2 per cent by next December to achieve its aim of joining the euro in 2001. The Socialists must also make further progress with reducing the public debt and implementing structural reforms.

The European Commission is expected to make a decision on Greece's application early in 2000, based on the previous year's budget performance.

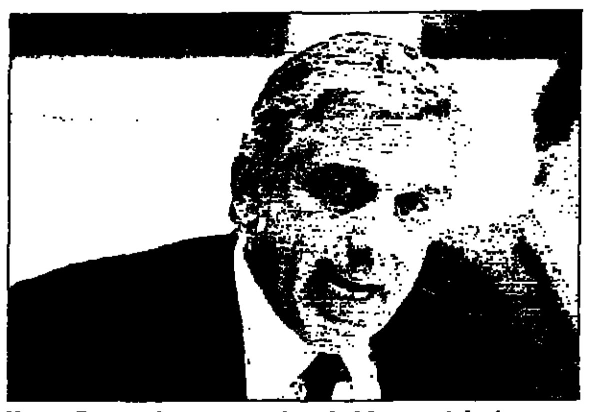
A sharp decline this year in the budget deficit and public debt has boosted Greece's credibility as a candidate for euro membership.

Next year's budget is based on expectations of economic growth rising to 3.7 per cent of gross domestic product. This year's target was revised down from 3.7 to 3.5 per cent following the Russian and Asian crises.

Yannos Papantoniou, economy minister, announced a nominal 2 per cent rise in public sector pay next year but said cuts in indirect taxes on fuel, electricity and purchases of new cars – aimed at reducing inflation – would, in effect, increase Greek families' purchasing power.

"Joining the euro will give Greece a strong currency, and protect incomes and pensions in the future," he said.

The budget deficit is set to fall this year from 4.2 to 2.2 per cent of GDP, comfortably below the 3 per cent ceiling required for euro members. Next year's deficit target is set at 1.9 per cent of GDP.



Yannos Papantoniou: announced nominal 2 per cent rise in wages

A surge in privatisation revenues to almost Dr1,100bn ($3.9bn) will help cut the public debt by four percentage points to 105.5 per cent of GDP. Income from disposals planned next year, including the sale of another stake in OTE, the public telecoms operator, should contribute to reducing the debt to 103 per cent of GDP. That would be far higher than the Maastricht target of 60 per cent, but admissible as it would illustrate a falling trend.

The budget provides for a 5.5 per cent increase in spending, to be channelled mainly to defence, education and health.

Lithuania angered by EU demands

By Stefan Wagstyl and Matej Vipotnik in Vilnius

A simmering argument between the European Union and Lithuania over Ignalina, a Soviet-era nuclear power plant, intensified yesterday in an uncompromising exchange between the two sides.

Speaking in Vilnius, Jose Maria Gil-Robles, president of the European parliament, said the EU wanted Lithuania to set a timetable for closing down the plant ahead of talks to join the EU. "The European Union is not asking that Ignalina is closed before the beginning of negotiations," he said. "But a precise calendar to close the plant, and clear engagement by Lithuanian authorities that they are going to keep to that calendar, would be necessary to begin negotiations."

His comments came a day after Gediminas Vagnorius, Lithuanian's prime minister, said the country's bid to join the EU was being unfairly held up by EU concern about the safety of the plant.

Mr Vagnorius told the FT his country was being "punished" for its insistence on keeping open the Chernobyl-type Ignalina nuclear power plant, which generates more than 80 per cent of Lithuania's electricity. The plant would not be made safer by delaying negotiations, he said.

The European Commission praised Lithuania's economic reforms but shied away from naming the country as a prospective EU member. Mr Vagnorius said the European Commission's report did not identify concrete shortcomings in his country's attempt to join the union, but nonetheless decided not to admit Lithuania to the first round of accession negotiations. Mr Vagnorius was particularly irritated by the fact that Estonia is included in negotiations and neighbouring Latvia was told it might join the talks next year.

Brazil output figures point to recession

By Geoff Dyer in São Paulo

The Brazilian economy showed new signs that it was slipping into recession yesterday when the government reported a sharp fall in industrial production in September, as companies began to feel the impact of the crisis in financial markets.

According to figures published by IBGE, the government's statistics institute, industrial production in September was 2.4 per cent below the level in August, and was down 6 per cent compared with the same month last year.

In September the government was forced to raise interest rates to more than 40 per cent, in order to defend the currency and stop capital from fleeing the country following the Russian default.

The new statistics show that higher interest rates and the lack of credit available to Brazilian companies are taking their toll on industry. Most economists are predicting a heavy recession next year.

Separate figures published by the Industry Federation (CNI) showed that industrial sales had risen 3.05 per cent in September compared with August. However, the CNI said this was a temporary phenomenon and predicted that industrial sales for the year as a whole would fall 2 per cent.

This would be the first time sales have dropped since statistics began to be collected in 1992.

The motor industry has been particularly badly hit, with sales in October 47 per cent below the same period last year. Most new cars are bought on credit in Brazil, which explains the heavy impact from higher interest rates.

However, Dany Rappaport, chief economist at Santander Investment in São Paulo, said the economy could pick up in the second half of next year if rates fell quickly. Heavy investment in newly privatised industries, such as telecoms and transport, would provide some support to economic activity.

Meanwhile, the government was expected to reduce interest rates last night for the first time since the peak of the crisis at the monthly meeting of the Monetary Policy Committee.

Economists said the government wanted to send a signal to industry that rates would fall, economists said, but did not want to give members of Congress the impression that the crisis was over.

The authorities were also thought to be taking a more conservative approach because of the delay in agreeing an emergency credit from the International Monetary Fund, expected earlier this week but now likely to be signed today or tomorrow.

Spain formally requests extradition of Pinochet

By David White in Madrid, Imogen Mark in Santiago and Robert Rice in London

Spain's official request for the extradition of Augusto Pinochet, detailing charges against the former Chilean president over the execution or disappearance of about 3,000 people, was delivered to the UK Home Office (interior ministry) yesterday.

The translated documents were flown to London, where the ex-dictator was arrested last month, after agreement by the Spanish cabinet to submit the case drawn up by the examining judge, Baltasar Garzón.

The Chilean government protested against the Spanish move last Friday by recalling its ambassador for consultations.

Abel Matutes, Spanish foreign minister, afterwards voiced concern about the impact of the case on Chilean politics and the two countries' trade relations. He said Madrid had no option but to transmit the judge's demand. But he warned about a proliferation of similar international cases, which if they prospered would make foreign policy "impossible".

The future of the Pinochet case hangs on an appeal hearing under way since last week in the House of Lords, the UK's highest court. The appeal followed a High Court decision that Gen Pinochet's former status as head of state made him immune from prosecution.

If immunity was overruled, the Home Office said that Jack Straw, the home secretary, would have a week to review the Spanish documents. If the case went forward, it would have to go through a court process in the UK before a final Home Office decision on extradition.

The extradition request, which gives details of 2,970 alleged victims, argues that Gen Pinochet's role in organising a systematic campaign of kidnapping, torture and killing was not part of his public function as president.

It categorises the elimination of political opponents as "genocide". This definition is crucial to the judge's argument that the alleged crimes fall within Spanish jurisdiction, regardless of the nationality of the accused or the victims, and are not subject to time limits.

"The institution of sovereign immunity cannot protect someone accused of a crime of genocide," it argues. It says that the secret police which carried out the repression after Chile's military coup was following orders from the president, and that its head "owed absolute personal loyalty and obedience" to Gen Pinochet.

Meanwhile, Switzerland said yesterday it had formally asked Britain to extradite Gen Pinochet to face murder and kidnapping charges linked to the disappearance of a Swiss-Chilean student in 1977.

The Home Office confirmed it had received the Spanish extradition request.

The law lords yesterday heard the conclusion of the case put by lawyers for the 82-year-old general. The hearing is expected to end tomorrow with judgment given early next week.

Chile's President Eduardo Frei was due to leave Chile late yesterday for a 10-day trip to South Africa and Malaysia, after a meeting with the national security council, which meets only in moments of crisis.

The meeting was called to discuss the case of Gen Pinochet, and ended with a brief statement supporting the government's position, which has been to defend the principle of national sovereignty and reject the jurisdiction of the Spanish court.

Christine Gregoire, states' lead negotiator: unclear so far how many states will sign up to the deal AP

Smoke signals say relief is in sight for tobacco companies

Settlement of states' lawsuits may cost $220bn, but Congress is the big loser, writes **Richard Tomkins**

After a year and a half of on-and-off negotiations, the siege against US cigarette makers appears on the brink of being lifted.

In the next few days – conceivably, as early as tomorrow – the big tobacco companies and states suing them for the recovery of smoking-related healthcare costs are expected to announce that they have struck a deal.

The tobacco companies are understood to have agreed to pay out about $220bn to the states over the next 25 years, to be divided among them according to population and the amount spent on treating sick smokers under the Medicaid health care programme.

The cigarette makers – Philip Morris, RJR Nabisco, British American Tobacco and Lorillard, a unit of Loews – have also agreed to eliminate outdoor advertising, promotional merchandise and marketing aimed at youngsters.

In addition, they have offered to pay about $1.5bn over the next five years to fund anti-smoking campaigns and to set up a public health foundation that will aim to reduce under-age smoking.

For smokers, the bad news is that the $220bn payout will push up the price of a packet of cigarettes in the US by more than 20 per cent. Martin Feldman, an analyst at Salomon Smith Barney, calculates that the average price of $2.20 a pack will rise to $2.55-$2.60. The price rise will hit consumption, and so tobacco industry profits. But for shareholders, that will be outweighed by relief that the litigation – by far the biggest financial threat pending against the industry – has at last been settled.

Tobacco stocks have risen recently in anticipation of a deal, although the enthusiasm was tempered slightly yesterday by worries that some states might hesitate to sign up to it.

In early New York trading yesterday, Philip Morris was down $\$1\frac{1}{16}$ at $\$53\frac{1}{16}$. But RJR was up $\$\frac{7}{16}$ at $\$29\frac{11}{16}$, and in London, BAT closed 32p up at 517p, a gain of 6 per cent.

Although expensive, the settlement will cost much less than the $368.5bn deal that the states and tobacco companies announced with a fanfare in June last year.

Under that deal, the tobacco companies would not only have settled the state lawsuits, but won immunity from virtually all big anti-tobacco lawsuits now and for ever. In return, they offered a big payout to the federal government and said they would accept federal regulation.

Because of the legal immunity provisions, the deal required congressional approval. But when Congress came to consider the proposal earlier this year, it struck out the legal immunities and sought to increase the size of the tobacco industry payout to $516bn over 25 years, with additional penalties if targets for reducing youth smoking were missed.

The tobacco industry then turned against the proposal, presenting it as a massive tax increase, and the legislation collapsed.

For cigarette makers, the disadvantage of the new deal is that it will only settle the state lawsuits, leaving them theoretically exposed to the continued threat of class action lawsuits and claims from individual smokers.

But recently, the tobacco companies have been winning nearly every case in the courts. Judges have been throwing out class action lawsuits, saying smokers' individual cases differ too much for groups to be considered as a single class, and most juries have continued to take the view that people who take up smoking know, and accept, the risks.

The biggest loser from the new deal appears to be Congress, which has been completely excluded from the negotiations and stands to gain neither the cash nor the regulatory authority it would have achieved from the previous proposal.

A big sticking point in the negotiations proved to be the position of small, independent tobacco companies. Because these are not parties to the agreement, they will not have to pay out any money or raise cigarette prices, and could therefore grab market share from the big cigarette makers.

To address this problem, the agreement proposes that the tobacco company payouts should fall to the extent that they lose market share to non-participants in the agreement. Alternatively, the states may impose "licence fees" on non-participating tobacco companies and use the money to compensate the big tobacco companies for lost market share.

The lead negotiator for the states is Christine Gregoire, attorney general for Washington State, whose lawsuit against the tobacco industry went to trial in September and is still under way.

Yet to be determined is how many states sign up to the deal. Eight have not sued, four have already settled, and eight are "core" negotiators that have agreed in principle to the settlement, leaving 30 to decide where they stand.

The worry is that, if more than a few hold out, the deal could collapse. But most are expected to vote in favour because they stand to gain more from the settlement than they would in court, even if they won.

On the web today
● White House considers new tobacco tax ● $3bn Argentine loans agreed ● Senator Specter calls for Clinton to be prosecuted – not impeached
http://www.ft.com/americas

CRISIS IN THE GULF INTELLIGENCE REPORTS POINT TO ROLE OF TARIQ AZIZ IN WEAPONS CONCEALMENT

Saddam's front-man 'on secret arms committee'

By Harvey Morris in London

Tariq Aziz, the Iraqi deputy prime minister and his country's chief negotiator with the United Nations, belongs to a secret committee charged with hiding weapons of mass destruction from international arms inspectors, according to information given to western intelligence by a recent defector from Baghdad.

Mr Aziz has consistently denied that Iraq has such weapons and Iraq has now withdrawn co-operation with UN weapons inspectors, prompting US preparations for possible military strikes.

Western intelligence sources said the unnamed defector had disclosed that the secret committee had arranged for up to 100 missiles to be hidden, along with chemical warfare agents, documents relating to the biological weapons programme and details of key personnel.

He said the committee included Mohammed al-Sahaf, the foreign minister.

The existence of the committee has been known in the west for some time but the information was not made public so as not to prejudice the efforts of the Unscom weapons inspection teams, the sources said.

Some details came from earlier defectors, while others came from sources such as Israeli intelligence, which briefed Scott Ritter, a former Unscom inspector, on what it knew about the concealment programme.

The latest account has nevertheless emerged at the precise time that the US and its allies are seeking international support for what might be a sustained bombing campaign. Release of the information linking Mr Aziz to the secret committee, and the picture it paints of his duplicity, is clearly intended to undermine his credibility.

Much of the defector's information is confirmed by Wafiq al-Samarai, exiled ex-head of President Saddam Hussein's military intelligence. He told the Financial Times that the logistics of hiding the weaponry was organised by a team led by Mr Saddam's second son, Qusai, and including Lieutenant-General Abed Hamid, the president's private secretary, Amer Rasheed, the oil minister, Abdul Razak, the head of Iraq's rocket programme and Amar Saadi, a presidential adviser.

The new defector said this military logistics team also included Mr Saddam's personal bodyguard and that its work was co-ordinated by the Special Security Organisation, al-Amn al-Amm. Its activities include organising regular concealment drills.

Hiding places had included presidential palaces and farms, the private homes of Mr Saddam's close friends and state institutions. Mr Samarai said he doubted that Mr Aziz was a decision-maker on the committee but that he liaised with it and carried out its directions.

Among the weapons said to be hidden in Iraq are 600 tonnes of three precursor chemicals for the production of the VX nerve agent.

On the biological weapons front, information from defectors indicates Iraqi scientists have experimented with campelpox, which is genetically close to smallpox, and with the bacteria yersinia pestis, which causes bubonic and preumonic plague, and that they have the technology to produce anthrax on a large scale.

Unscom pullout, Page 14

THE MILITARY OPTION PENTAGON SENDS MORE FORCES TO THE REGION □ ERSTWHILE ADVOCATES OF SOFTER APPROACH STAY SILENT

West plans damaging strike on Iraqi forces

By Alexander Nicoll, Defence Correspondent

A quick, highly damaging strike against military assets of Saddam Hussein is the most likely option for the west if the Iraqi president fails to heed diplomatic pressure in the coming days, defence experts believe.

Eleven days after Iraq *ceased co-operation with* United Nations weapons inspectors, the Unscom team yesterday withdrew from Iraq and the US stepped up forces in the Gulf.

The build-up toward military action has been in marked contrast to this year's previous western threats against Iraq and Serbia, with little attempt to muster public opinion behind action and no efforts so far to broker last-ditch settlements. Instead, defence ministers have been in the forefront from the start and military plans have been worked on quickly and quietly.

Jonathan Eyal of the Royal United Services Institute in London said the absence of public attempts in the west to enunciate a strategy, and of strident threats to crush Mr Saddam, had avoided mistakes made in the past.

Iraq's potential advocates, Russia and France – their patience with Mr Saddam exhausted – have not been moved to voice opposition to *Washington's approach, he* notes. Iraq has found that rejecting inspections deepened its isolation, with Gulf countries not expressing opposition to US military action.

Washington appears to be pursuing an essentially military doctrine of keeping Mr Saddam guessing about the timing and nature of its next move.

International security experts believe air strikes are now more likely than not, and could be mounted in as little as a week's time.

As of Tuesday there were 23,500 US troops in the Gulf and 173 US aircraft. Of 23 US ships – including the aircraft carrier Eisenhower with its battle group, and an amphibious attack group – eight were capable of carrying Tomahawk cruise missiles. The UK has 24 aircraft and three ships.

The USS Enterprise, an aircraft carrier, and the USS Belleau Wood, a helicopter carrier, are due to arrive in the Gulf over the next two weeks, though the Enter*prise is due to replace the* Eisenhower.

This compares with 40,000 US troops and 400 aircraft massed in the region last February. When the numbers were reduced, the US left double the (unspecified) number of cruise missiles in the region than had been there previously, and also made provisions to augment forces quickly.

Yesterday, the Pentagon put contingency plans for rapid deployment of an air expeditionary force into action, sending a further 129 aircraft, 3,000 troops and Patriot missile batteries to the Gulf.

According to Terry Taylor, assistant director of the

UN arms inspectors remove boxes of equipment before leaving Baghdad yesterday Reuters

International Institute for Security Studies, the targets of any action would probably be Iraq's conventional military capability: tanks, other armoured vehicles, aircraft, military headquarters, barracks and communications facilities.

The allies can be expected to draw on the plans they had in February, when it was believed they had four days of intensive bombing in mind. Though it was possible bombing would be carried out in phases, Mr Taylor said Iraq had previously paid little attention to "pinprick" cruise missile strikes.

One purpose of strikes, beyond punishment, would be to destabilise Mr Saddam's regime by undermining support for him within the military – especially if they could hit the elite Republican Guard which managed to escape serious damage during air strikes preceding the Gulf War in 1991. However, experts believe a military effort to topple Mr Saddam remains as unlikely now as it was in 1991.

There is little sign a bombing campaign would lead directly to further military action. Depending on Mr Saddam's approach to UN inspections, the most likely aftermath would be reversion to containment, perhaps with a tightening such as the extension of a no-fly zone over the whole of the country and a ban on movement of military assets.

It is less clear how this approach would prevent Iraq from proceeding with development of biological and chemical weapons. US and UK officials say Iraq could rebuild its biological weapons capability within weeks and chemical weapons within months in the absence of UN monitoring.

Philip Sabin of the department of war studies at King's College, London says: "In practical military terms, there is not a lot we can do to address the issue of biological weapons." But he believes the impasse between the UN and Iraq has reached the stage where bombing may be "a face-saving get-out for both sides".

US forces in the Gulf

Soldiers	2,600
Sailors and Marines	14,300
Air Force personnel	5,600
HQ and other units	1,000
Ships	23
Aircraft	173

Israeli cabinet ratifies the Wye accord

By Judy Dempsey in Jerusalem

Israel's cabinet last night ratified last month's interim peace accord with the Palestinians, paving the way for an Israeli troop pullback from 13 per cent of the West Bank.

Benjamin Netanyahu, Israeli prime minister, convened the cabinet after receiving assurances from Washington that Yassir Arafat, president of the Palestinian Authority, would arrest 30 suspected terrorists, collect illegal weapons, reduce the Palestinian police force and resume full security co-operation.

Mr Netanyahu pushed through the accord by a narrow margin in his 17 member cabinet. Eight voted for the accord, with four against and five abstaining. Mr Netanyahu said implementation of the agreement was conditional on the Palestine National Council (PNC) meeting and voting to amend the Palestinian Charter "as required by the [Wye] Memorandum." He also insisted Israel would hand over no more than 1 per cent of West Bank land in the third and last troop pullback during the interim accord period.

Despite cabinet approval Mr Netanyahu expects a stormy reception when he sends the accord to the Knesset in coming days.

Clauses in the 1964 Charter had called for the destruction of Israel but these were annulled during an historic vote of the PNC in April 1996 and specified in a letter Mr Arafat sent to President Bill Clinton last January.

Mr Netanyahu said yesterday he wanted the PNC to repeat the vote, even though it was agreed at the Wye Plantation talks just outside Washington that "invited members" of the PNC along with other senior PLO officials would affirm the changes.

Palestinian officials said they resented the new conditions. "We will implement the accord to the letter, in accordance with the timeframe and I urge Mr Netanyahu to refrain from the language of threats and conditionality," said Saeb Erekat, Palestinian negotiator.

Under the terms of the accord – due to be implemented over a 12-week period – Israel will hand over 13 per cent of Area C, land under its full control, to either full or partial Palestinian control. Less than 3 per cent of the West Bank is currently under the Authority's complete control.

In addition, Israel will hand over 14.2 per cent of Area B, land under Palestinian civilian rule but under full Israeli security control, to the Authority's full control. By the end of the three months, Mr Arafat will have full control over 17.9 per cent of the West Bank and partial control over 22.9 per cent.

● Israel's political map looked set to be redrawn after the religious and immigrant parties made big gains at the expense of the traditional Likud and Labour parties in local government elections.

In a sign of the increasing fragmentation of society, smaller parties dominated, with Shas, the ultra-Orthodox party representing Sephardi, or Oriental Jews, and Yisrael Ba'Aliya, the Russian immigrant party, strengthening their hold in local councils.

Fuel price violence in Zimbabwe

Zimbabwe security forces said yesterday they had shot dead one man and injured several others in protests over a sharp rise in fuel prices, Reuters reports from Harare.

A police spokesman said the man was killed by a stray bullet in Mutare on the border with Mozambique, and half a dozen people were arrested for suspected looting.

But some witnesses claimed the 20-year-old man was shot in cold blood at his home by security forces incensed by an orgy of looting in the city.

Workers across Zimbabwe went on strike to press President Robert Mugabe's government to reverse a 67 per cent fuel price rise, with some challenging him to give more time to domestic problems over foreign policy issues.

Major industries were paralysed, and Harare's central business district was only partly open as workers heeded calls by the Zimbabwe Congress of Trade Unions to express their anger over the fuel prices by staying at home.

The labour movement announced last Saturday it would stage strikes every Wednesday until Mr Mugabe suspended the fuel price rise and engaged the unions in serious talks over a deepening economic crisis.

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CLIMATE CONFERENCE CALL FOR COMMITMENTS BY DEVELOPING COUNTRIES TO ADOPT VOLUNTARY TARGETS FOR REDUCED EMISSIONS

Menem pledges curbs on greenhouse gases

By Vanessa Houlder in Buenos Aires

Carlos Menem, president of Argentina, said yesterday his country would commit itself to restricting future greenhouse gas emissions, underlining one of the most contentious issues being discussed at the United Nations climate change conference in Buenos Aires.

Mr Menem also called for discussion about how countries such as Argentina could take part in the mechanisms of the Kyoto protocol, the treaty agreed last December which committed industrialised countries to legally binding cuts of greenhouse gas emissions.

The issue of whether developing countries should make commitments on greenhouse gas emissions is highly controversial because there is deadlock over the US insistence on participation by developing countries, without which it will not ratify the Kyoto protocol.

At the start of the two-week UN conference, Argentina challenged developing nations to adopt voluntary targets for emissions reduction. But the G77 group of developing countries and China rejected the move, arguing that it was unfair to ask poor countries to shoulder responsibility for the problem of greenhouse gas emissions that has overwhelmingly been created by richer countries.

Friends of the Earth, the environmental pressure group, described Argentina's move as politically divisive because it would weaken the negotiating position of very poor countries, which would be unable to join richer members of the G77 in making voluntary commitments.

Mr Menem's announcement drew a cautious welcome from other countries. Mr John Prescott, the UK's deputy prime minister, said that "everyone has to welcome "moves to reduce emissions. But there was a need for robust rules because of concerns that developing countries might assume relatively undemanding targets and then use the protocol's flexible mechanisms to profit by selling excess emission "credits" to other countries.

On Tuesday night, Saudi Arabia and several other oil producing countries blocked agreement on Kyoto flexible mechanisms, as it argued the case for compensation for their loss of oil output under the treaty.

Mechanism for 'greening' investment appeals to business

Vanessa Houlder reports on the debate about the 'clean development mechanism'

A proposal for the "greening" of private investment in developing countries is attracting conspicuous support at climate change negotiations under way in Buenos Aires.

The "clean development mechanism" (CDM), one of three flexible mechanisms designed to reduce the cost of reducing greenhouse gas emissions for developed countries has been endorsed by business, some industrialised countries and much of the developing world.

The CDM would allow industrialised countries and companies to finance emissions-avoiding projects in developing countries, in return for credits they could offset against their own obligations.

For developing countries, it could bring foreign investment and access to cleaner technology. For industrialised countries, it could provide a cheaper and more flexible way to meet their emissions reduction targets. For business, it could bring market opportunities, new partnerships and a better public image.

The CDM could lead to capital flows of between $5bn and $17bn, according to estimates by the World Resources Institute, an environmental think-tank. For many businesses represented at the UN conference, it represents an opportunity and a challenge.

"Business sees the CDM as a significant market-oriented opportunity," Bjorn Stigson, president of the World Business Council for Sustainable Development, a coalition of 125 companies from 30 countries, said this week. He believes companies have a crucial role in the CDM, because they will be responsible for financing and implementing most emissions reductions over the next 15 years and because business-to-business partnerships are an efficient means of transferring technology.

Businesses are showing interest in the mechanism because they have already begun to examine the implications of last December's Kyoto protocol. This laid down legally binding emissions reductions targets for countries, which governments will want to pass on, to some extent, to industry.

Industry will want to make reductions in the most cost-effective way, which could mean using the CDM to buy "certified emissions reductions" from companies in developing countries.

But the details of the CDM, as described in Kyoto protocol, are extremely vague. The current UN conference is trying to prepare the way for agreement on details of the CDM and other flexible mechanisms at a future date. There are several contentious issues that will have to be sorted out before it can go ahead.

Will the investment flows be fairly distributed around developing countries? Will there be limits on how far industrialised countries can use the mechanism to reduce emission targets? How will it be designed and monitored? Should nuclear energy or carbon "sinks" – new forests that are capable of absorbing carbon dioxide – be included in the CDM?

The poorest developing countries, mainly in Africa, argue that the distribution of existing aid projects is inequitable. They want assurances that they will benefit from mechanisms such as CDM.

The EU supports this position, and is also pressing hard for a ceiling to stop industrialised countries from using the CDM – along with the two other flexible mechanisms, "emissions trading" and "joint implementation" – to satisfy most of their emission reductions obligations. It emphasises the need for developed countries to change their own pattern of energy use at home. CDM use should just supplement domestic action, it says.

The US, however, is strongly opposed to the idea of putting a limit on the use of these mechanisms, which it argues would hurt developing countries' interests.

Environmental groups are concerned the CDM will end up as a loophole to enable developed countries to get off the hook of cutting emissions. In particular, they are concerned that it may embrace controversial projects such as "clean" coal, nuclear, large dam projects and carbon "sinks".

They are also sceptical about the potential scale of the mechanism, believing companies will prefer to improve the efficiency of their own businesses, before investing in companies elsewhere. They are uneasy that multinational companies may use the mechanism to benefit from investing in their own subsidiaries in developing countries.

These concerns have led environmental groups to oppose early decisions about the operation of the CDM. "We should resist pressure to start prematurely. It would undermine efforts to achieve ultimate objectives," says Greenpeace.

But other participants in the debate are anxious to see rapid action. "If we do not speed up the rules on early action the likelihood of meeting the Kyoto targets will be small," says Mr Stigson.

Santer plea to Clinton on sanctions

By Neil Buckley in Brussels and Frances Williams in Geneva

Jacques Santer, the European Commission president, yesterday made a personal plea to US President Bill Clinton not to implement sanctions over Europe's banana import regime.

In a letter to Mr Clinton, Mr Santer said unilateral US sanctions would be a clear breach of its commitments to the World Trade Organisation. "Pursuing unilateral action against the EU would be a political misjudgment at a time when the EU and the US should be working together in shared leadership to alleviate the world's economic difficulties."

He warned that the EU would launch a complaint against the US at the next meeting of the WTO's disputes settlement body on November 25 unless Washington withdrew the threatened sanctions.

Mr Santer's move came after the US on Tuesday proposed 100 per cent duties on a broad range of products unless the EU reformed its banana regime by January 1.

Washington says changes already made do not do enough to improve EU access for bananas from Latin America where US distributors such as Chiquita and Dole have large interests. The WTO ruled last year that the regime discriminated unfairly in favour of former British and French Caribbean colonies.

Although the provisional sanctions list will be narrowed down after consultations with industry, a spokesman warned that if implemented in full it would hit Ecu1.39bn ($1.6bn) of annual EU exports to the US, based on 1997 figures.

The list, he said, was "arbitrary in value, and arbitrary in what it covers". Estimates by the Commission, the EU's Brussels-based executive, suggested the US provisional list as it stood would hit Germany hardest, affecting trade worth Ecu331m – despite Germany's long standing opposition to the EU banana regime.

Italy would be next hardest hit, with Ecu311m, followed by the UK on Ecu167m and France on Ecu135m.

Renato Ruggiero, director-general of the WTO, yesterday also appealed to the two sides to sort out their trade differences within the context of WTO rules.

"They can and must work it out," he said. "The solution to this problem lies in the rules themselves," he said.

The problem is that both sides claim to be abiding by the rules, which in the area of compliance with WTO judgments are vague and open to different interpretations.

The US argues that the dispute settlement procedure requires WTO members to authorise compensating retaliation by complainants if WTO rulings are not complied with by the agreed date – for bananas January 1 1999. The EU points to another WTO rule stipulating that differences over whether or not judgments are being complied with should be resolved through the dispute mechanism, if possible by reconvening the original panel.

The US embarked on this course earlier this year but was frustrated by Brussels which refused to allow the panel to reconvene before details of the revised banana import scheme had been agreed within the EU, a process that took until late October.

Any panel report – which must be produced within 90 days – would come after the January 1 deadline.

US stainless steel ruling

The US Commerce Department has said it has evidence that some stainless steel products from France, Italy and South Korea are illegally subsidised, AP reports.

Under the ruling, the US customs service will require importers to begin posting a bond or cash deposit to cover any retroactive duties that may be imposed later.

The ruling applies to stainless steel sheets and strips in coil. Sold in flat sheets rolled up like carpet, the products are used in kitchen sinks, dishwashers, chemical tanks and a wide range of other products.

2000 reasons why India's software industry is feeling joyful

Solving the year 2000 problem and providing programs for the introduction of the euro is proving a bonanza for software exports, reports **Mark Nicholson**

The move to a single European currency is proving a boon in India, 3,800 miles away from the European Central Bank. The country's blossoming software industry expects to reap at least $2bn in contracts from banks and companies adjusting their systems to the unified currency by 2002.

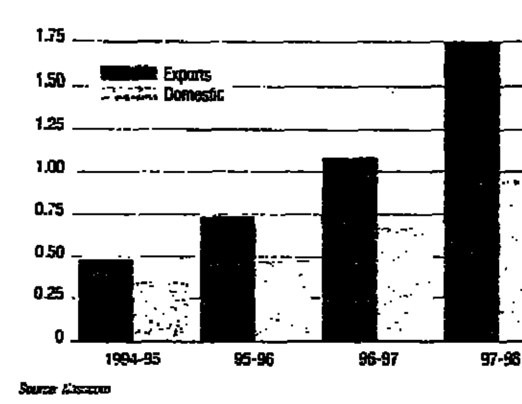
By 2000, India's software sector could be earning a third of its expected $6bn in software export earnings through offering euro conversion services and packages, according to estimates from the National Association of Software and Service Companies (Nasscom), the industry lobby.

Moreover, the industry, now enjoying an eighth successive year of export growth exceeding 50 per cent, sees the euro as offering another step up the value added chain for an industry founded on offering low-cost, labour-intensive software services. Initially this was done by physically flying out skilled, but cheap, Indian software engineers to service clients abroad, mostly to companies in the US.

"Europe has been slow to wake up to Indian software," says Dewang Mehta, Nasscom's executive director. "But, thanks in part to the euro, it's now waking up very fast."

Indian software sales to Europe were just 5 per cent of total exports in 1994, but the proportion, driven by euro-related business, hit 23 per cent for the first half of this fiscal year – part of an overall 65.6 per cent rise in software sales in rupee terms for the period.

The shift is part of a transformation of India's software sector as, led by a host of ambitious and increasingly global companies such as Infosys Technologies, Satyam Computer Services, Tata Consultancy Services and chased by a plethora of smaller wannabes, the industry shifts from offering clients on-site services, to Indian-based "offshore" service – and seeks eventually to shift away from offering services and towards Indian-branded software products and packages.



Source: Nasscom

Software services – where Indian companies offer tailored software problem solving to specific corporate clients – still account for 90 per cent of export earnings. But the trend towards Indian companies offering their services remotely, usually linked by leased 64kbs high-speed data links to clients in the US and elsewhere, is marked. While in 1991 some 95 per cent of Indian software earnings came from flying engineers to foreign clients, the proportion this year is down to 61 per cent and expected to fall to 55 per cent within three years.

The Indian government's recent decision to end the state monopoly on providing internet access should accelerate the trend, making it easier for small software houses to serve overseas clients from Hyderabad, Bangalore, Pune or Madras, without having to pay the Rs800,000 ($20,000) for each point-to-point high-speed data link.

"Smaller companies will benefit most from the internet policy," says L Subramanyam, editor of Dataquest, the industry magazine. "The 50-100 person units, the little software shops: they won't need leased lines or to make the rounds of the bureaucracy to get them, or pay the high rentals."

The rising euro-related business will also wean India's software companies away from their reliance on the US, where they now do 58 per cent of their overseas business. Industry executives also believe it will help the bigger software companies move up the value-added chain, away from simply offering low cost problem solving – such as solutions to the year 2000 problem.

About a fifth of the 40,000 Indian software engineers servicing foreign clients are employed on year 2000 solutions. This work accounted for 23 per cent of the Rs50bn ($1.18bn) in export earnings for the six months to September. "It's labour intensive, often tedious and dull work," says Mr Mehta. "But it pays." India has already won year 2000 business worth $1.5bn, according to Nasscom. It expects the final tally to be $2.5bn.

Refashioning European bank treasuries' systems, or those of big manufacturing companies, is still predominantly service-oriented work, but of more sophistication, and offering work beyond the millennium. "The euro business offers a much wider software challenge, and over a number of years," says Mr Mehta.

"You have at first the 11 countries joining immediately, their transition period, then new countries joining – while also finding opportunities for companies in, say, the UK which also need system changes." Tata Consultancy Services, India's biggest software company, for example, recently won a contract from the Bank of Scotland to make its systems euro-friendly.

"The European market will develop very quickly," says B. Ramalingaraju, chief executive officer of Satyam Computer Services, who says his Hyderabad-based company is about to launch a marketing campaign in Europe – offering in the process, and rather nimbly, a package designed to address both the euro and year 2000 at one stroke.

Internet music sales will hit the 'Big Five'

By Alice Rawsthorn in London

The "big five" multinational music groups will steadily lose market share to independent record labels over the next decade because of the growth of internet record sales, according to new research.

A study, compiled by the Internet Underground Music Archive (IUMA), a US music software company, predicts that by 2008, the big five – Seagram, Sony, Warner, EMI and Bertelsmann – will command 64 per cent of US record sales in 2008, against 78 per cent last year.

Over the same period, the market share of independent labels will rise to 36 per cent from 22 per cent, according to the study, which predicts that the chief casualties of the online music market's growth will be traditional retailers and distributors.

IUMA also expects internet sales to rise from 1 per cent of the US music market this year, to 15 per cent in 2002 and 37 per cent in 2007, when 20 per cent of all music sold will be sent directly to consumers' computers by digital distribution.

The expansion of the online music market, and its impact on the balance of power within the industry, is one of the most important issues facing the world's record companies and retailers.

Music is among the most popular themes on the internet, and it is generally accepted within the industry that online sales, both by mail order and direct digital delivery, will increase. However, it is as yet unclear how swiftly they will grow, and how various areas of the industry will be affected.

The issue is particularly sensitive for Seagram, the Canadian entertainment group which has mounted an $11bn bid for PolyGram, the world's largest record company. Seagram, like other multinationals, is gambling that the internet will offer an opportunity to enhance profitability by selling music directly to consumers.

IUMA forecasts that internet sales from the big five will represent 10 per cent of the US music market in 2002 and 21 per cent in 2007, with their traditional sales accounting for 63 per cent and 43 per cent respectively. By 2007, internet sales by independent labels will absorb 16 per cent of the market, and their traditional sales 20 per cent.

Meanwhile, consumers should benefit from lower prices. IUMA expects the average album price to fall from $15 today to $14 in 2007 if bought at a record shop, $13 if purchased through internet mail order and $9.50 by digital distribution.

Music's Online Future, $495IUMA, 303 Portero St #7A, Santa Cruz CA, 95060, USA. Tel: 831 426 4862.

CORRECTION

Unctad report

The e-mail address given in yesterday's FT for the UN publications office in Geneva, to order copies of the World Investment Report, was incorrect. It should have read: unpubli@unog.ch

China poised to pass securities law

By James Harding in Shanghai

China is finally poised to pass a securities law after six years of official consideration, but there is a growing sense of disappointment it will fail to address a number of crucial issues in the financial services industry.

The law is likely to omit provisions to regulate the issuance and trading of debt instruments, convertible bonds and derivatives, according to people who have seen the most recent draft of the law.

Nor will it clarify rules governing the transfer of state-owned or "legal person" shares, a problem that has proved a critical obstacle to the development of a transparent corporate culture in China.

"The new law apparently will not address some of the more sensitive issues inherent in China's corporatisation programme," says Nicholas Howson, partner at the law firm Paul, Weiss in Beijing. However, he said it would still represent a milestone for the creation of a more "stable and transparent system".

The law, first drafted in 1992, has been held up over a number of issues, notably a turf war between the central government authorities and local officials for the power to oversee the two stock exchanges in Shanghai and Shenzhen. A compromise now appears to have been struck, under which "most legislators agree that the securities management system should be subject to the dual leadership of the central and local governments," according to a state media report.

Stockbrokers will welcome the securities law, now expected within a matter of months, but they are concerned about the holes in the legislation. Li Yining, an eminent economist and member of the standing committee of the national people's congress that is currently considering the draft law, has acknowledged the shortcomings.

"The securities law will, at least to some extent, help reduce market risk, but will in no way solve all existing problems," he said. The draft failed to cover futures trading, but he said that was "in no way tantamount to a ban on futures trading".

The law is expected to cover the issuance and trading of securities in China, the dissemination of market information, disclosure requirements, fraud, takeover regulation, regulation of exchanges and the penalties and liability for market participants.

It is is also expected to define the role of China's troubled trust and investment companies, which may face a bar on operations in the securities markets as well as restrictions on banking and property.

Legislators in Beijing have indicated that the law will also mean tougher punishment for market irregularities, such as insider trading, the illegal use of customer margin funds, spreading false information in the market and the corruption of securities exchange officials.

Some analysts have suggested that the clampdown on irregular market activity may squeeze liquidity and depress prices in the short-term, if the authorities chose to enforce the law where existing regulations are currently overlooked.

One of the most important issues for Chinese stock brokerages will be the measures taken against proprietary trading and the diversion of clients' cash deposits by many firms to fund their own equity investments, which represent a huge volume of trade on China's exchanges.

One of the many concerns about the Chinese market that has deterred foreign investors has been the confusing shareholding structure of Chinese companies, which have a range of different types of share that have different values and different voting rights.

Floods force Grameen bank to raise $40m

By David Chazan in Dhaka

The Grameen bank, the pioneering Bangladesh microcredit institution, is to borrow $40m from the country's central bank to help sustain its lending schemes for the poor, disrupted by the recent floods.

Lutfor Rahman Sarkar, governor of the Bangladesh Bank, said Grameen had asked for a loan of nearly $100m, repayable over five years, but the bank had agreed to lend it $40m, repayable within one year, at the normal bank rate of 7.5 per cent interest.

Grameen, whose founder Muhammad Yunus has been internationally acclaimed for his role in the microcredit movement, lends to more than 2m Bangladeshi families – more than 6m people.

A quarter of the population of Bangladesh has been assisted by institutions such as Grameen which provide small loans, generally less than $100, given to women to buy livestock, plant small-scale crops or start simple businesses such as weaving. Microloans now outstanding total more than $500m.

Many microcredit schemes were thrown into crisis by the recent floods, which wiped out crops and livestock, and disrupted the rural economy, leaving millions without income for several months. Between a third and half of borrowers fell behind on repayments.

Muzammel Huq, Grameen's general manager, said the bank needed money to help borrowers replace their meagre assets and capital. "If we are able to give them fresh loans, from January things will go back to normal," Mr Huq said.

He and Dr Yunus rejected suggestions that Grameen's operations were under threat because it had only succeeded in raising less than half of the money it had asked for. ""You can always go back later." Mr Huq said, expressing optimism that Grameen would eventually find additional funding.

Dr Yunus said Grameen had also approached the International Finance Corporation, the private-sector arm of the World Bank, for a longer-term loan of $100m to "meet extra demand from borrowers in the wake of the floods".

In the early 1990s, according to Professor Wahiduddin Mahmood, who chairs a microcredit consultative group, Grameen borrowed – and repaid – about $150m at commercial rates to help fund rapid growth.

Dr Yunus says borrowers in the system for 10 years have gone from being destitute to owning houses, but the floods have washed away many of those gains and there is little money left in the rural economy.

Anwar Ibrahim leaves court in Kuala Lumpur yesterday after the eighth day of his trial. Foreign criticisms of prime minister Mahathir's conduct of the case may affect his meetings with other leaders at next week's Apec summit in the Malaysian capital Reuters

Howard under pressure on Anwar

By Gwen Robinson and Peter Montagnon in Sydney

John Howard, the Australian prime minister, is facing growing pressure on both international and domestic fronts. He is under attack over his intention to hold talks with Mahathir Mohamad, the Malaysian leader, at the forthcoming Asia-Pacific heads of government meeting in Kuala Lumpur and over parliamentary opposition to his ambitious tax reform plans.

Mr Howard yesterday reconfirmed his intention to meet Dr Mahathir at next week's Asia Pacific Economic Co-operation summit. Officials said talks with Dr Mahathir, who is chairing the summit, could help Australia's attempts to persuade regional leaders to adopt trade liberalisation measures and stricter financial codes.

Critics in Australia and abroad have called on Mr Howard to follow the examples of President Bill Clinton and Jean Chrétien, the Canadian prime minister, and cancel talks with Dr Mahathir to protest against the brutal treatment of Anwar Ibrahim, Malaysia's former deputy prime minister, who is facing charges of sodomy and fraud.

Amnesty International, the London-based human rights group, this week urged the Australian government to set a regional example and place more importance on human rights in Mr Howard's second term of office.

A senior government minister told the Australian parliament yesterday that Mr Howard would "put Australia's interests first". But, in a reflection of the government's dilemma over the meeting, the foreign minister, Alexander Downer, said last night that Mr Howard would most likely use the talks to insist on a "a free and fair trial" for Mr Anwar.

Also in parliament yesterday, Mr Howard's conservative coalition was forced to agree to an inquiry into the prime minister's plan to introduce a 10 per cent goods and services tax.

Mr Howard made the tax plan the centrepiece of his election campaign and said after his re-election that the victory had provided sufficient mandate to present GST legislation to parliament without an inquiry. But the coalition, which lacks a majority in the influential Senate, was forced to accept an inquiry, which will almost certainly result in significant changes to the GST plan. The most likely changes include the exemption of food from the tax.

Jakarta assembly backs calls for Suharto inquiry

By Sander Thoenes in Jakarta

Indonesia's highest legislative body yesterday acceded to the two main demands of student protesters, calling for a more thorough investigation into the wealth of the former president, Suharto, and confirming plans to phase out the military seats in parliament.

The dominant government-backed Golkar faction in the People's Consultative Assembly, which combines 500 parliament delegates and 500 appointed members, said it supported student calls for a thorough investigation into corruption and abuse of power, including by Mr Suharto.

Long Mr Suharto's most loyal faction in the assembly, Golkar also proposed to phase out the 75 military seats in parliament.

These two proposals, to be adopted tomorrow, go a long way towards meeting student calls for a trial of Mr Suharto and the immediate removal of the military from parliament and government.

As recently as March, the assembly elected Mr Suharto by acclamation but delegates are eager to curry favour with voters before fresh general elections next May or June.

Despite the assembly's turnaround, more than 5,000 students joined protests across the capital yesterday. Troops fired blanks into the air and beat two students and a press photographer after a car with students, trying to pass the blockade, hit five soldiers. Other groups rallied near parliament and on the main toll road, leaving much of the centre jammed.

The military gave them more room for manoeuvre than in previous days and disarmed a controversial gang of government supporters which had provoked clashes the day before. Many of these supporters, some of whom admit to being paid to protest, yesterday handed in their bamboo spears after parliamentary members and government ministers called on the military to pull them back to parliament.

Mr Wiranto defended the use of civilian guards yesterday. He said the military would change its political role "gradually" but rejected "a process that would push aside a force of the nation which has clearly in the past made a very large contribution to the life of the nation as a whole."

With Golkar joining the Islamic United Development Party on the issue of reducing the army's role in politics and two other factions expected to follow suit, the military faction in Congress may well prove a minority.

Singapore may act to cut business costs

By Sheila McNulty

A Singapore government panel yesterday recommended a range of cost-cutting measures designed to make the city-state's business more competitive, helping companies through the regional crisis and limiting further job losses.

Companies have long complained that, while Singapore's better managed and more transparent system has distinct advantages, it is very expensive relative to neighbouring countries. The regional financial crisis has widened the cost gap by producing far steeper currency depreciations in neighbouring countries.

The committee's main recommendation is to cut the rate of employers' contributions to the Central Provident Fund, the national pension fund, by 10 percentage points.

The panel called for a reduction in the levy on skilled and unskilled foreign workers in manufacturing and services by S$100-S$50 (US$61-US$30.5) per month, and to consider a similar cut for skilled foreign workers in construction. It also urged lower land and factory rentals, cuts in electricity and telecom charges, lower government taxes and a cut in customs and petrol duties.

The committee, whose report now goes to parliament, said its package should reduce business costs by about S$10bn a year, which is equivalent to about 7 per cent of Singapore's gross domestic product.

NEWS DIGEST

JAPANESE CONSUMPTION TAX

LDP may agree tax cut to help form coalition

Japan's ruling Liberal Democratic party is considering the possibility of cutting the controversial consumption tax as part of a deal with the opposition Liberal party aimed at forming a coalition government.

Yoshiro Mori, LDP secretary-general, and Takeshi Noda, his Liberal party counterpart, agreed yesterday to begin policy talks which would include the possibility of a temporary cut in the 5 per cent tax to stimulate domestic consumption. Keizo Obuchi, the prime minister, is to meet Ichiro Ozawa, head of the Liberal party, on Monday.

The Liberal party, which has called for the consumption tax to be cut to 3 per cent, is the most likely among the opposition parties to support LDP legislation, such as implementation of the new US-Japan security guidelines. Most members of the party, including Mr Ozawa, are former members of the LDP.

However, resistance within the LDP to a reduction in the consumption tax remains strong. "It took us 10 years to get the public to accept the idea of a consumption tax. Some politicians lost their seats as a result," said Takashi Fukaya, chairman of the LDP general council. At the same time, a number of important members of the ruling party are strictly opposed to joining hands with Mr Ozawa, whose defection was seen as the trigger for the LDP's fall from power in 1993. **Michiyo Nakamoto, Tokyo**

CLINTON-DALAI LAMA MEETING

Beijing condemns Washington

China launched a fierce attack against the US yesterday after Bill Clinton, the US president, met the Dalai Lama, the Tibetan leader, earlier this week. Beijing also protested against a visit to Taiwan by Bill Richardson, the US energy secretary. The Chinese foreign ministry said Beijing had lodged a protest with Washington and demanded the US correct its "mistakes".

"The US actions completely violate the international norm for international relations of non-interference in internal affairs and mutual respect for sovereignty and territorial integrity," he said.

China is highly sensitive over Tibet and Taiwan. Widely criticised for its harsh treatment of Tibetans after invading in 1959, China condemns any dealings with the Dalai Lama who lives in exile and is seen by many Tibetans as the country's natural leader.

Beijing regards Taiwan as a renegade province and a main plank of its foreign policy has long been aimed at isolating it internationally. **Reuters, Beijing**

INDIAN ECONOMY

Industrial growth slows further

India's industrial growth slowed further in September, with official figures showing industrial growth up just 1.4 per cent for the month, compared to the same month a year ago. Industrial growth in August had been 4.2 per cent, compared to the same month in 1997.

The decline means growth in manufacturing, mining and power generation – the components of the official industrial index – slowed to 3.6 per cent in the first half of the Indian fiscal year to September, compared to the same period the previous year. Industrial growth averaged 6.5 per cent last year. The figures showed a slowdown on all fronts, with manufacturing growth at 2 per cent in September, down by half on August's 4.2 per cent improvement; electricity production up just 2.6 per cent against 6.8 per cent a month earlier; and mining activity plunging to a negative 4.9 per cent after August's minimal 0.6 per cent increase. **Mark Nicholson, New Delhi**

SPRATLY ISLANDS DISPUTE

Manila sends naval force

The Philippines announced yesterday it was sending forces to monitor the Chinese presence on a reef in the disputed Spratly Islands in the South China Sea. President Joseph Estrada said he had instructed navy and air forces to "block exit and entry points" to the disputed area around Mischief Reef where Manila claims Beijing has been expanding a small structure. Later the president's office said Manila would not resort to "military confrontation".

The Spratlys are claimed in part or whole by China, Vietnam, the Philippines, Malaysia, Taiwan and Brunei and are believed to have significant oil and natural gas reserves. China has denied any "creeping invasion" of the Spratly islands. **Tony Tassell, Manila**

Pixie dust cannot disguise Hong Kong's economic pain

Louise Lucas reports that any celebrations for a forthcoming recovery are seen as being premature

Hong Kong is back in bull mode. Sightings of economic recovery have been made by the government; securities houses are vying with each other to set the biggest stock market targets; and Lan Kwai Fong, the yuppies' after-work play area, is heaving.

"Rising stock prices cause pixie dust to get thrown in your face," says Paul Schulte, regional strategist at ING Barings.

Pixie dust is perhaps the best explanation: Hong Kong's economy is forecast to shrink some 5 per cent this year and the toll of bankruptcies and suicides is rising.

Not everyone, however, is joining the euphoria. The business community remains bearish; Peter Sutch, chairman of Swire Pacific, the British-controlled conglomerate and head of the Hong Kong General Chamber of Commerce, recently dismissed it as a false dawn.

Mr Sutch and his like are not being party poopers. The corporate landscape has been badly scarred by the downturn: shuttered shops, new owners (with several white knights emerging from Hong Kong's Communist sovereign, China) and big write-offs.

Last week, with gallons of over-priced beer being quaffed in Lan Kwai Fong, Hong Kong's biggest video chain, KPS, went into receivership; Paliburg, a property and hotels group, sought refinancing of a missed loan repayment; and Marks and Spencer became the latest retail group to cut staff.

And, while Morgan Stanley tipped the benchmark Hang Seng Index to reach 13,000 by the end of the first quarter of next year and Merrill Lynch proclaimed the bottom for the property market, other investment banks were signalling a more cautious mode: Barclays Capital and Salomon Smith Barney both laid off staff (the latter claiming consolidation and small-scale "housekeeping").

What has changed, and ushered in the new bullish mood, is the disappearance of "that element of panic", says Dong Tao, senior economist at CSFB. "Hong Kong still needs 12 to 18 months to solve its fundamental economic weaknesses, but we think the worst is over and the probability to see a systematic meltdown is significantly reduced," he says.

Panic has been partly banished by what Sir Donald Tsang, financial secretary, listed as "encouraging" signs: more stable financial markets, an easing of short-term liquidity, lower interest rates, a rebound on the stock market and improvements in the regional environment.

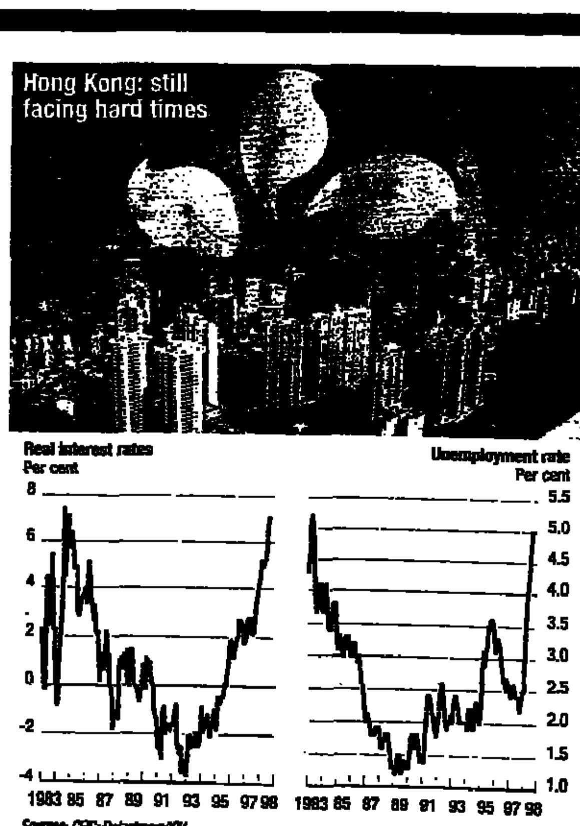
Indeed, Sir Donald underplayed his hand: the benchmark three-month interbank interest rate, at 6.8 per cent on Tuesday, is around half the level of August and the stock market has gained some 30 per cent since the government stopped buying shares on August 28. Registration for a recent sale of luxury apartments was eight times oversubscribed.

But he also allowed himself a little indulgence. Unemployment has "stabilised" at 5 per cent for two straight months. Pay cuts (or ruses such as removing bonuses or demanding extra hours for the same pay) during that period continued.

Unemployment has been one of the biggest problems to hit Hong Kong since the Asian financial crisis reached it in October last year. A generation that only knew an employee's market is now seeing some 1,860 women being trained in the art of making beds and cooking, in order to become *amahs* (maids), a job rated by school pupils below prostitution.

Mr Tao at CSFB is forecasting three years' of recession – another two after 1998 – as adjustment continues. The long period highlights Hong Kong's own weakness, which was was brutally exposed by the Asian turmoil: an asset bubble which had let costs soar without heed to productivity gains.

But the territory was also victim. Its capital markets, proudly free and open, came under attack. The Hong Kong dollar alone of the region's main fully-convertible currencies, preserved its link to the US dollar but at a cost of high interest rates which compounded the Asia-wide credit crunch.



As Sir Donald notes, interest rates are lower, but the onset of deflation means Hong Kong is set to enter a period of its highest of real interest rates in over a decade. HSBC, which as the territory's biggest bank is seen as having the closest grip on trends, is forecasting a fall in the consumer price index next year of -3 per cent.

Mr Schulte of ING Barings reckons deflation belies the current stock market rally, which presumes rapidly falling interest rates as inflation stabilises. That presumption, he says, is a pipe dream.

But it's a pipe dream that Hong Kong is buying. The waiting list for Hermes' coveted Birkin leather bags has risen to two years: by which point, deflation may have whittled back the HK$35,000 (US$4,500) price tags.

Railways may be privatised

Hong Kong said yesterday it would consider privatising railways and toll tunnels in an effort to generate income, **Louise Lucas reports.** The government has forecast a budget deficit of more than HK$20bn (US$2.58bn) for the fiscal year to March 1999, a reflection of a sharp fall in income from land sales and the recession. Jewels in the government crown include the Kowloon-Canton railway and the Mass Transit railway.

هكذا من الاصل

Blair joins opponent in pact on euro

By Robert Peston and George Parker

Tony Blair, the prime minister, and Paddy Ashdown, leader of the pro-European Liberal Democrat party, yesterday formed a common front to keep the Conservatives out of office and campaign for the introduction of the European single currency in the UK.

In a joint statement, they pledged to work together "against a Conservative party which seems determined to travel further and further to the right".

They also announced a widening in the agenda of their joint cabinet committee, set up by Mr Blair a year ago to discuss common aims on constitutional reform.

The prime minister's official spokesman said the committee – unique in modern times – may in future look at "parts of the welfare reform agenda, possibly the policies we are pursuing on health and education, and maybe some of the commitments that arise out of the way we are trying to change our relations with Europe".

A senior Liberal Democrat said that it would be the platform for a cross-party campaign to take the UK into the single European currency.

He added that the joint statement was a "defining moment, a watershed". It marked the moment when the two leaders decided to challenge the many members of their parties who resent the gradual convergence. Leftwing MPs in the governing Labour party are convinced Mr Blair is conspiring to force the party into a formal coalition or merger with the Liberal Democrats.

This was denied by the two leaders who said their parties would "continue to offer different choices to the British people in the ballot box whenever the appropriate opportunity arises".

But in a veiled attack on the Labour left and on Liberal Democrat critics of closer co-operation, they described their initiative as an "important step" against "destructive tribalism".

Mr Blair has been searching for ways to strengthen links between the two parties, in part to bolster the position of Mr Ashdown, who has been criticised by his colleagues for failing to secure a cast iron government commitment that a promised referendum on electoral reform would take place before the election.

In a separate House of Commons statement yesterday, Mr Blair appeared to distance himself from Jack Straw, the home secretary, who has angered Mr Ashdown by indicating that the plebiscite is more likely to take place after the next election.

"It had always been envisaged the referendum would take place before the election" Mr Blair said.

THE ECONOMY QUARTERLY REPORT INSISTS THAT RISK OF INFLATION MUST STILL BE TACKLED DESPITE FEARS OF RECESSION

Central bank cool on hope of further rate cut

By Robert Chote, Economics Editor

The Bank of England yesterday damped expectations of another interest rate cut in the near future, even though it expects weaker economic growth than the Treasury over the next two years if rates stay on hold.

In its latest quarterly report, the UK central bank said the planned minimum wage would help nudge underlying inflation – which excludes mortgage interest payments – up to 2.75 per cent in the middle of next year, before it drops back towards the government's 2.5 per cent target.

If interest rates stay at their current 6.75 per cent, the Bank believes there is a 55 per cent probability that inflation will undershoot the target in two years. This does not provide sufficient room for manoeuvre to justify further rate cuts yet.

"The risks to the inflation forecast are now broadly balanced," said Mervyn King, deputy governor responsible for monetary policy. "But there is considerable uncertainty about the central projection for inflation, not least because of the uncertainty about the profile for earnings growth."

The Bank expects a sharp slowdown in the economy next year, but like the Treasury it sees only an outside chance of recession. Since the last Inflation Report in August, the world economy has weakened, share prices have fallen 5 per cent and business and consumer confidence have tumbled.

Analysts estimate that the Bank is pencilling in a little under 1 per cent growth next year and 1.75 per cent in 2000. Last week the Treasury predicted 1 per cent and 2.25 per cent respectively, but this assumed that interest rates fall again.

The Bank warned that rate cuts of the magnitude expected in financial markets – to 6 per cent or below – would see inflation overshoot the target.

Interest rate expectations rose in the sterling futures market on the report. The pound reversed some of an overnight fall, but ended down from Tuesday's close.

The Bank said that labour market conditions were important to the outlook for inflation. Official figures showed that UK unemployment in the three months to September had risen by 3,000 on the preceding three-month period.

But this rise was dwarfed by a 124,000-strong rise in employment, implying a big rise in the number of people actively participating in the labour market. Neither this nor a big jump in new vacancies notified to Job Centres suggests a dramatic fall in economic activity.

● The government yesterday dismissed claims that its policy of raising fuel duty annually above the rate of inflation was driving British haulage companies out of business, **George Parker** writes. Owen Patterson, a member of Parliament from the opposition Conservative party, told the House of Commons that the "fuel escalator" would force some UK hauliers to relocate to other European Union states. But Patricia Hewitt, economic secretary to the Treasury, said Britain had lower corporation tax, wages and social costs than many other EU states.

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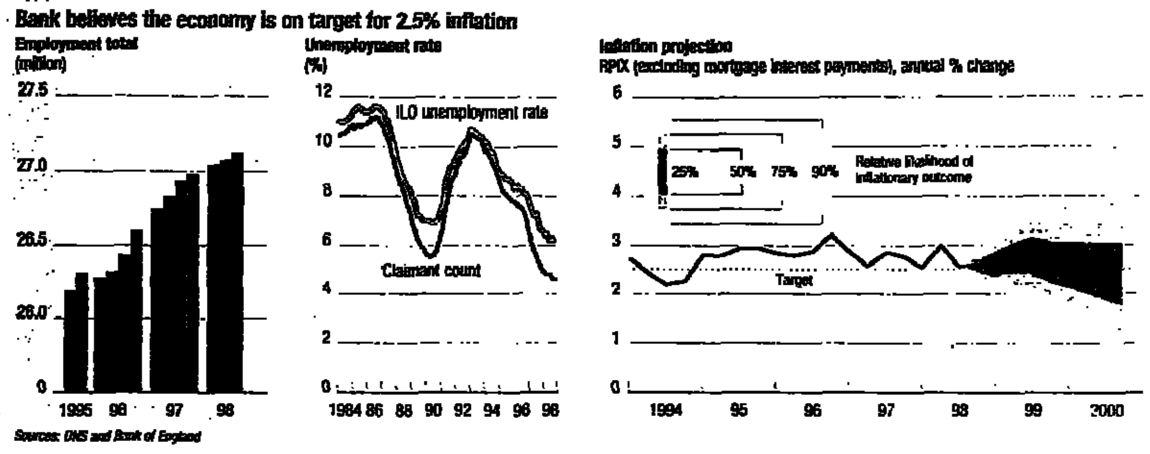
Bank believes the economy is on target for 2.5% inflation



Sources: ONS and Bank of England

Moody's reduces profit forecast for Lloyd's

By Andrew Bolger, Insurance Correspondent

Mounting losses and testing marketing conditions have adversely affected the profitability outlook for syndicates trading at Lloyd's, according to Moody's, the credit rating agency.

Moody's has revised down its forecasts for the London insurance market, especially for the open years of account: 1997, 1998 and 1999. A profit of just 1.4 per cent of the market's underwriting capacity is now forecast for 1999, compared with the 12.1 per cent return recorded in 1995.

The agency has also placed loss warnings on 32 per cent of the syndicates writing in 1998 and 30 per cent of those writing in 1999.

Mark Hewlett, managing director of Moody's European property, casualty and reinsurance division, said: "Unfortunately we do not foresee any immediate improvement in insurance rates for most business classes, a key determinant of profitability, due to the large amounts of excess capital remaining in world insurance markets."

The latest global Lloyd's forecasts indicate small market profits of 2.2 per cent of capacity in 1998 and 1.4 per cent in 1999, assuming a normal incidence of loss. But Moody's warned that both years would be rendered lossmaking if affected by a catastrophe.

Moody's said 1999 was forecast to be the motor sector's fifth consecutive loss year, although it was the only sector showing signs of improvement.

It said 1997, with a forecast loss of 9.8 per cent, was considered to be the bottom of the current motor underwriting cycle.

The aviation sector, which has suffered recent satellite and airline losses, such as the recent Swissair disaster, was expected to move into the red for the first time since 1992 with forecast losses of 0.7 per cent of capacity in 1998 and 0.8 per cent in 1999.

Moody's said 1997 had become more borderline with a forecast profit of only 0.6 per cent. The marine sector continued to show the severest reduction in profitability, with profits expected to fall from the 21.6 per cent made in 1995 to just 4.4 per cent in 1999.

Non-marine, the biggest sector in the Lloyd's market, was forecast to produce small profits of just 2.2 per cent in 1998 and 1.5 per cent in 1999, compared with the 8.6 per cent made in 1995.

● Members of the London International Insurance and Reinsurance Market Association yesterday voted to merge with the Institute of London Underwriting. The merged body will be called the International Underwriting Association.

Question of payment is at the heart of family-friendly policy

When Britain introduces a statutory right to parental leave, it will still be far behind most of the EU, **Alison Maitland** writes

The UK will next year become the last European Union state to implement the parental leave directive and thereby introduce a statutory right for all working parents to three months' leave. However, such absences will be at the employees' expense and today a coalition of family organisations and trade unions launch a campaign for paid leave in the UK.

For the organisations involved, it is a potentially radical step: official recognition that there are times for working men as well as women when parenting is more important than anything else.

But will things really change? Because parental leave will not be paid in the UK it puts the country in a minority among EU states. It will mean low take-up, especially by men, according to speakers at a London conference this week organised by New Ways to Work, a charity promoting workplace flexibility and choice.

Fewer than 2 per cent of men in the EU take parental leave, partly because of loss of income, according to European Commission research. Nine of the 14 other member states make payments, but these are usually not earnings-related. In some countries such as Germany they are available only to low-income groups. By contrast in Sweden, the unrivalled leader in family-friendly state provision, employees get 80 per cent of their salary for the first 360 of their 450 days' entitlement. The result: about half of men take some parental leave.

"Payment sends a message in a society based on capitalist values that childcare is valued," says Linda Haas, sociology professor at Indiana University, who has been studying men's use of parental leave in Sweden since 1975.

Other speakers pointed out that single parents and those on low incomes would find it hard to take up their entitlement to unpaid leave. But financial compensation, while necessary, may not on its own be enough of an incentive to men to take leave. Cultural change is needed, for example in reducing the long hours worked by British fathers, the conference was told.

In Belgium, 85 per cent of those taking up compensated career breaks are women. "You really have to persuade men, and employers, that taking a break does not mean any less commitment to your company and your work," says Dirk Remy of the Flemish Family League.

The UK government hopes to achieve this sort of cultural change with several measures – not just parental leave but restrictions on working hours, rights for part-time workers and the planned extension of maternity leave from 14 to 18 weeks.

"This is a minimum standard and we hope employers will build on it in some way," says the Department of Trade and Industry. Businesses are wary of parental leave, not surprisingly given the UK government's calculation that implementing the directive will cost industry £54m ($89.6m) a year.

Stephen Alambritis of the Federation of Small Businesses will warn today's campaign launch that paid leave, even if borne by the taxpayer, would cause cashflow problems for small enterprises having to pay out and then claim rebates.

He will call for flexible arrangements for employers with fewer than 20 staff so that key employees are not away at the same time. The Confederation of British Industry, the UK's main employers' organisation, has urged the government to introduce only the minimum requirements under the directive.

Yet there could be benefits in terms of better staff retention and less absenteeism, according to Demos, the left-leaning think-tank. There are potential paybacks for the taxpayer too: in Belgium, parental leave has been used to cut unemployment with employers obliged to take on replacement workers from the ranks of the jobless.

LEGAL NOTICES

No. 005534 of 1998
In The High Court of Justice
Chancery Division Companies Court
In The Matter of
THE FLEMING INDIAN INVESTMENT TRUST plc
and
In The Matter of The Companies Act 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 4 November 1998 confirming the cancellation of the share premium account of the above-named company amounting to £56,595,994 was registered by the Registrar of Companies on 5 November 1998.

Dated the 5th day of November 1998
[illegible]
[illegible] London [illegible]
Solicitors for the above-named Company

DEFENCE GOVERNMENT FACES EMBARRASSMENT OVER LATE REPORT ON WEAPONS SALES

Accounting for arms exports delayed

By Alexander Nicoll, Defence Correspondent

The government has been forced to delay publication of its first annual accounting of arms exports, an important part of the ethical foreign policy undertakings it gave last year. The delay is embarrassing for ministers who want to be more open about weapons, of which Britain is the world's second largest exporter.

Tony Lloyd, a Foreign Office minister, had said the report would be issued in the current parliamentary session, which ends on November 19. However, that deadline will be missed and Mr Lloyd was unable yesterday to suggest a new target. He said an "enormous" amount of work had been done and there was "total commitment to publishing this report".

The first report was intended to cover the period from the present government's accession in May 1997 to the end of that year. However, one option being considered is to wait until next year and publish data on 1997 and 1998 together. The delay is the result of difficulties in assembling data to the degree of transparency required by ministers.

Although the Foreign Office will publish the report, statistics come from the Department of Trade and Industry, the Ministry of Defence's export services organisation, and Customs & Excise.

There are not believed to be any serious disputes among ministers. However, there is considerable debate between departments on the amount of information that should be published, with the defence ministry worried about sensitivities of customers.

Officials said the intention was to go much further than the previous annual listing of numbers of licences given for sales to each country. These followed "military list" categories, giving little information of lethal potential and scale of sales. Parachutes and crash helmets are included in the same category as aircraft.

The government wants to publish a more specific accounting of equipment covered by licences granted. This is understood not to pose serious problems. What has caused larger difficulties is the government's desire to publish details of actual exports. Apart from raising issues of customer and commercial sensitivities, this gives cumbersome work to the defence ministry and the Customs & Excise department.

The government said it would not permit the sale of arms that could be used for internal repression or external aggression. However, companies say in practice the guidelines do not differ much from previous policy.

Murdoch's TV rival aims to keep his footing on the roof

The world's first digital service via ordinary aerials gives its boss what seems to be an impossible sales job, says **John Gapper**

On the face of it, Stephen Grabiner has an impossible job. He has to persuade British consumers to purchase an experimental product from a company few have heard of.

As chief executive of On Digital, the first pay television company to take on Sky Television since the ill-fated British Satellite Broadcasting, even he admits his corporate life expectancy may be on the low side.

"I think this must be the second-riskiest job in television after British Interactive Broadcasting [the home shopping and banking company that is on its third chief executive]," says 40-year-old Mr Grabiner cheerfully.

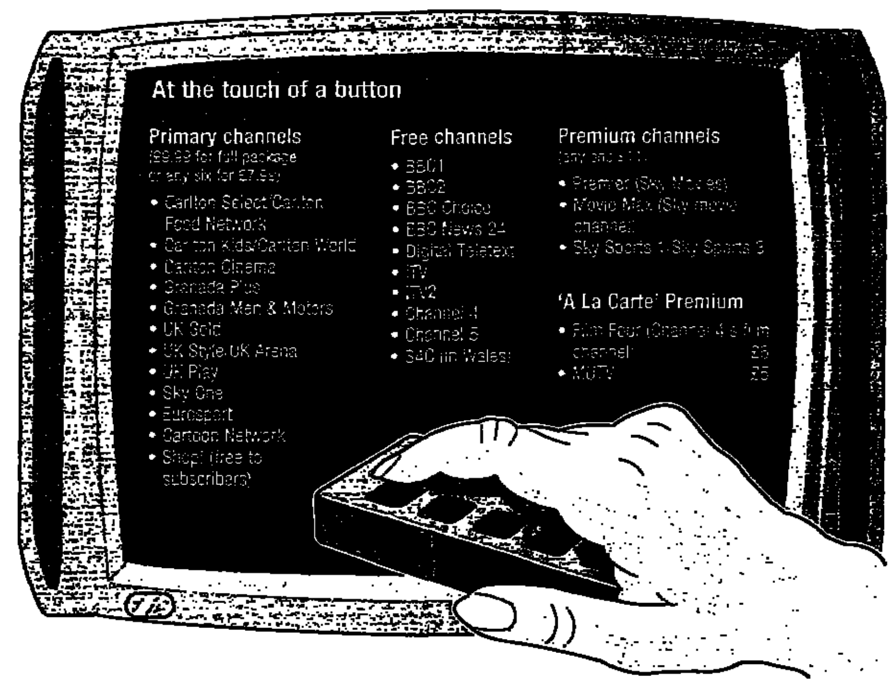
"I have never chosen easy jobs, and this must be the most exciting one I have done. I think it is going to go well but if it does not, the shareholders have the right to say to me that it's not working," he says.

Mr Grabiner was recruited earlier this year from running the newspaper division of United News & Media. He joined a company that offers the world's first digital service via rooftop aerials rather than dishes or cable.

In one sense at least, he has already done better than was expected: few analysts believed that On Digital could launch on time given the technical hurdles. However, this Sunday it will confound the critics by doing just that.

This could prove easier than what is to come. Mr Grabiner must now sell a service of 30 channels – including new free digital channels such as BBC Choice and ITV2 – against the might of BSkyB's 200-channel alternative. BSkyB is the satellite network in which Rupert Murdoch's media conglomerate is the biggest shareholder.

On Digital is set to confound the sceptics by launching 30 channels on time this weekend



BSkyB has locked some of the popular US television brands such as MTV and Nickelodeon into exclusive contracts. On Digital is relying on untested alternatives provided by Carlton Communications and Granada Group, its two UK television company shareholders.

Yet there some grounds for hope – notably the experience of Télévision Par Satellite in France. This service exceeded its own forecasts on launch two years ago despite its apparent inferiority to Canal Plus's digital service.

Mr Grabiner argues that it is missing the point to view the battle as being a straight fight against BSkyB for the 4.6m UK households that already have pay television. Instead, he is aiming at the unconverted 70 per cent.

"Our core market is people in middle England who say they would like a bit more choice, but don't want to pay too much, and don't want a dish on their roof," he says, pointing out that Sky analogue dish sales have slowed.

Since On Digital started advertising, it has received more than 130,000 inquiries from potential subscribers. Some executives expect that 70,000 of these will actually spend £199 ($330) on a digital set-top box by the year-end.

Curiously enough, On Digital's best attraction in the short term has little to do with Carlton Communications or Granada Group, its shareholders. It will allow people without a dish or cable to watch live Premier League soccer.

BSkyB was originally a shareholder in the group before the Independent Television Commission insisted it sold its stake. But it still has to supply On Digital with its Sky One basic channel, and film and sports premium channels.

In the longer term, Mr Grabiner concedes that it may have to strengthen its basic channel line-up. "We are building a business for the long-term, and we recognise we'll have to provide more over time," he says.

Some of this expansion is already planned, since On Digital will gain MTV next June and Nickelodeon and the Paramount Comedy Channel by the end of 1999. It is also negotiating for pay-per-view films.

But for the moment, Mr Grabiner must rely on the response of an untapped market to an untested product: "I'm sure that some things will go wrong, but a lot more will go right."

Gains for VW, Audi and Toyota

UK registrations of new cars	Oct 1998 Volume	Oct 1998 % Chg	Oct 1998 Share %	Oct 97 Share %	Jan–Oct 1998 Volume	Jan–Oct 1998 % Chg	Jan–Oct 1998 Share %	Jan–Oct 97 Share %
Total Market	155,263	-0.9	100	100	1,998,742	3.4	100	100
UK Produced	46,900	-7.0	30.2	32.2	642,753	-1.2	32.2	33.6
Imports	108,363	2.0	69.8	67.8	1,355,989	5.6	67.8	66.4
Japanese makes	11,698	-0.8	7.5	7.5	157,627	11.3	7.9	7.3
Ford group	26,775	-1.0	17.2	17.3	371,941	3.3	18.6	18.6
Ford	26,124	-0.3	16.8	16.7	361,451	2.8	18.1	18.2
Jaguar	651	-24.4	0.4	0.5	10,490	25.0	0.5	0.4
General Motors	23,802	3.5	15.3	14.7	248,241	-5.5	12.4	13.6
Vauxhall	23,792	3.6	15.3	14.7	248,030	-5.6	12.4	13.6
Saab	1,110	19.6	0.7	0.6	17,269	13.8	0.9	0.8
BMW grp	14,159	-27.3	9.1	12.4	235,617	-4.8	11.8	12.8
BMW	3,981	-3.3	2.6	2.8	58,764	0.7	2.9	3.0
Rover	10,178	-33.8	6.6	9.8	176,853	-6.5	8.8	9.8
Peugeot grp	15,378	-8.1	9.9	10.7	229,299	3.0	11.5	11.5
Peugeot	10,914	-15.3	7.0	8.2	159,166	6.7	8.0	7.7
Citroen	4,464	15.9	2.9	2.5	70,133	-4.7	3.5	3.8
Volkswagen grp	17,013	21.0	11.0	8.0	181,257	7.9	9.1	8.7
Volkswagen	10,375	21.6	6.7	5.4	110,086	3.1	5.5	5.5
Audi	3,299	10.2	2.1	1.9	36,966	16.8	1.8	1.6
SEAT	992	-29.4	0.6	0.9	16,963	10.4	0.8	0.8
Skoda	2,347	106.6	1.5	0.7	17,242	22.1	0.9	0.7
Renault	13,569	-2.3	8.7	8.9	161,108	11.8	8.1	7.6
Fiat group	6,101	7.7	3.9	3.6	90,684	8.7	4.5	4.3
Fiat	5,256	1.6	3.4	3.3	83,260	6.6	4.2	4.0
Alfa Romeo	845	71.7	0.5	0.3	7,424	39.5	0.4	0.3
Nissan	6,059	-12.7	3.9	4.4	88,845	4.0	4.4	4.4
Toyota	5,354	4.3	3.4	3.3	71,314	11.6	3.6	3.3
Honda	4,552	-3.2	2.9	3.8	55,939	9.9	2.8	2.6
Mercedes Benz	5,084	36.6	3.3	2.4	45,249	20.1	2.3	1.9
Volvo	3,426	3.1	2.2	2.1	31,810	-10.4	1.6	1.8
Mazda	2,129	-2.8	1.4	1.4	28,169	-1.8	1.4	1.5
Korean makes	3,562	-3.1	2.3	2.3	53,135	15.7	2.7	2.4

1. GM holds 50% of Saab Automobile and has management control 2. Includes Range Rover/Discovery 3. VW holds 70% of Skoda and has management control
Source: Society of Motor Manufacturers and Traders

The market for new cars suffered a slight year-on-year drop in registrations in October, only the third month this year that it has faltered, **John Griffiths writes.** The Society of Motor Manufacturers and Traders said October's 0.9 per cent downturn was the result of exceptionally high sales the previous year. "We are still on course for a 2.2m market in 1998," said Roger King, the SMMT's acting chief executive. This would be beaten only by the 2.3m market of 1989.

NEWS DIGEST

FOOD EXPORTS TO JAPAN

Tokyo exhibition aims to change view of UK meals

"But Britain is Delicious", an exhibition organised by the Tokyo branch of the Food from Britain agency, aims to change the view that British food is heavy and unpleasant. Food From Britain, supported by the UK government's agriculture and trade departments, is optimistic.

The UK exported £290m ($480m) in foodstuffs to Japan last year, up 5 per cent from the previous year. Food From Britain has helped introduce more than 600 products to Japan over the past two years.

"Japan is the largest food and drink importer in the world, and is an important market for UK foods," said Lord Donoughue, UK minister for farming and food. "[Our performance last year] was excellent, set against current Japanese consumption patterns."

The exhibition was dominated by Scotch whisky, beer, tea, jam and biscuits – products already familiar in Japan. Beer was prominent, as British producers looked to break into a market dominated by local brewers. Less obvious candidates such as chocolate, cereal and ready-made foods were also there as UK companies searched for Japanese partners. **Naoko Nakamae, Tokyo**

TAX COLLECTION

Employers' $500m 'benefits'

Big employers make up to £300m ($500m) a year by acting as tax collectors for the government while small businesses face ever greater costs, according to a report published yesterday by the Inland Revenue.

The independent report, which looks at the costs to employers of running PAYE (Pay As You Earn) and National Insurance schemes, finds that the benefits to big business are increasing as the burdens on smaller businesses become greater.

The report is likely to accelerate the introduction of measures designed to cut costs for small businesses – especially entrepreneurs. It will also focus attention on the increasing cash flow benefits accruing to big employers, who invest the money they collect from staff before passing it on to the tax authorities.

"In this sense the largest employers actually benefit from acting as unpaid tax collectors: the cash flow benefits of withholding tax exceed gross compliance costs," said Professor David Collard, the lead author of the long-awaited report. **Jim Kelly, London**

MILLENNIUM BOMB

'High risk' claims denied

The Department of Trade and Industry, the Ministry of Defence, the Home Office and the Medicines Control Agency all face a "high risk" of disruption from the millennium bomb, the Taskforce 2000 consultancy said yesterday.

Ian Hugo, author of the Taskforce report, said the defence ministry faced a "Herculean" task in meeting its related targets. The DTI said: "We dispute that we are high-risk. The DTI is dealing with its 2000 programme effectively." The Office for National Statistics was also singled out as high risk. The ONS said yesterday: "We reject completely the criticism."

Taskforce 2000 also said the government had seriously underestimated the cost of fixing the millennium bomb, and faced the prospect of wide disruption to public services. Formerly a government agency, the group is now a consultancy advising on the bomb – the expected problems of computers reading dates from 2000 on. It said the government's £3bn estimate of fixing the problem in the public sector was too low, and should in fact be between £7bn ($11.6bn) and £8bn. **Christopher Price, London**

MOTOR INDUSTRY

GM acquires van stake

General Motors has taken over full ownership of IBC Vehicles, a maker of vans and Frontera four-wheel-drive vehicles set up in partnership with Isuzu of Japan in 1987. The move helps prepare the way for GM's Vauxhall offshoot to mount its first significant attempt to become a big player in the panel van market – dominated by the ubiquitous Ford Transit – since selling off its Bedford truck and van operations in the mid-1980s. Panel vans are those not based on car designs.

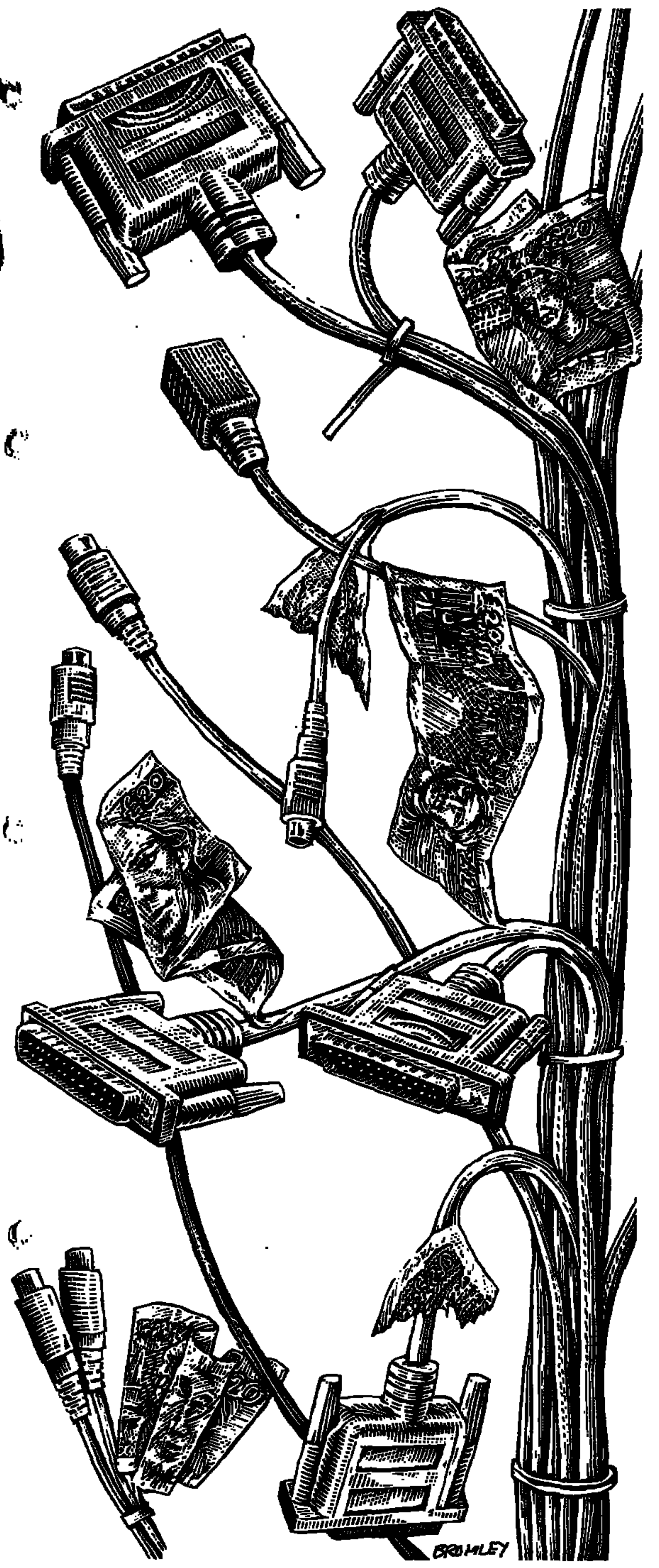
IBC is scheduled to build a new range of panel vans, being developed under a joint venture with Renault, which should lead to 700 extra jobs being created at the IBC plant by the year 2002. However Renault has already put a larger version of the vans into production in France, and these are now going on sale in the UK badged as the Vauxhall Movano. Versions of both products, badged under the name of Vauxhall's German sister company, Opel, will be sold throughout Europe. Last year, Vauxhall began selling Vauxhall versions of Renault's Master and smaller Trafic vans, which allowed Vauxhall to put retailing structures in place.

GM would yesterday give no financial details of its IBC takeover.

IBC was created as a 60-40 joint venture between GM and Isuzu. But Isuzu's stake equity dropped to 17 per cent last year as a result of the Japanese company – in which GM has a 37.6 per cent stake – not participating in new investments at the plant. **John Griffiths, London**

DIGITAL BUSINESS

THE LAST OF A 10-PART SERIES



Time for new trade-offs

Peter Martin concludes this series by examining some of the profound changes that will determine whether enterprises flourish or wither in the new digital era

It is easy to overstate the importance of the coming of digital business. Although it is powerful and pervasive, affecting most industries and areas of economic activity, it is not the first such "horizontal" change. The coming of the railway, the arrival of fractional-horsepower electric motors, the universal adoption of motor cars and trucks, the emergence of a mass consumer market – all these have had similarly pervasive effects.

But, paradoxically, it is also easy to understate the importance of all such sweeping technological changes, by assuming that they apply only to the companies most directly affected. As the articles in this series have revealed, the real importance of "horizontal" technological change lies in the way it rewrites the trade-offs that underpin established business in all sectors.

These trade-offs – between scale and inflexibility, between service and price, between choice and stocking costs, and so on – are so embedded in the way business works that we scarcely think about them.

In any industry, established businesses gravitate towards the same set of trade-offs, adopted more or less unthinkingly by all participants. Sometimes an innovative company manages to come up with a slightly different set of trade-offs that works. A famous example is General Motors' introduction of model variations and frequent styling changes, to compete with Henry Ford's "any colour you like as long as it's black" Model T.

When this happens, either the industry shifts to a general adoption of the new approach – as happened in the GM/Ford case – or the innovator's discovery turns out to be relevant only to a niche market, and the mainstream approach survives for most customers. Either way, the established set of trade-offs survives, adjusted slightly at the margin. This is the very definition of "business as usual".

The importance of sweeping technological change is that it requires a renegotiation of many of those trade-offs. Just as important, it is hard to tell in advance which trade-offs will survive and which will be completely replaced. A period of intense experimentation and uncertainty begins. Innovators who guess right about the new pattern of trade-offs – whether they are new entrants or fast-moving established firms – are lavishly rewarded. Companies that guess wrong go out of business. For everyone, the stakes rise immeasurably. That is now happening in the era of digital business.

To conclude this series, let us stand back from the early, currently visible efforts to profit from digital business, and attempt to chart the deeper trade-offs that will change in the new era. Some of these shifts are already being exploited; others await their innovators. Here are three trade-offs that are changing:

● **Customisation versus price.** Giving individual customers exactly what they want is usually too expensive to contemplate. So customers have to choose between a product or service that is approximately right and relatively cheap, or one that is exactly right, but extremely expensive. The coming of digital business changes the trade-off significantly.

In some industries, what prevents the delivery of cheap customised products is ineluctable economies of scale, such as those which make individual computer chips so astonishingly cheap. But in many industries, the real barrier is the cost of information: if you could economically capture the details of the customer's needs and transmit them to the shop floor, you could deliver a customised product but still benefit from the factory's economy of scale. This is particularly true in service industries, or where delivery takes electronic form.

The era of mass customisation has been promised for at least a decade, but it took the arrival of digital business to make it possible. The secret lies in the creation of a global, standardised communications infrastructure, the internet, and a powerful, universally accessible user interface, the web browser.

As yet, relatively few companies are attempting to make use of the mass customisation potential of digital business, and these are mainly companies that had already ventured down this road before migrating to the internet. Online computer vendors, such as Dell and Gateway, were already providing semi-customised products. They are able to do more of this, more cheaply, over the web. And, in Dell's case, they are also able to provide a customised service to corporate purchasers, who have their own dedicated web pages on Dell's site.

Few services are 'pure'. Most are bundled together with something else

Other tentative steps towards mass customisation are under way on the web: tailored clothes, customised CDs, personalised information services. Some will turn out to be successful; others will not offer customers enough benefits to overcome the inconvenience of making choices. But either way, the historic trade-off is changing.

● **Bundled products versus focused ones.** Few products and services are "pure". Most are bundled together with something else. Garages bundle together in one physical location the sale of new cars, the purchase of second-hand ones, the provision of customer finance, the delivery of repairs. Banks bundle together payment services, security of savings, the provision of account information, and so on. Newspapers bundle together news, opinion, classified advertising, entertainment, listings. The trade-offs that produce these bundlings are heavily influenced by information costs: the costs of establishing what particular mix of benefits a customer needs, and then ensuring that it is delivered precisely.

These bundlings involve powerful but implicit cross-subsidies. They survive because they deliver the best mix of benefits at the lowest price. But one customer's cross subsidy is another's mis-pricing. Digital business allows new, focused entrants to expose those cross subsidies and mis-pricings. Electronic classified advertising boards eliminate the cross-subsidy to news (though they also have to survive without a cross-subsidy from display advertising). Electronic new car sales agencies, such as Microsoft's Carpoint, unbundle a garage's offerings. A flood of financial services products exploit and compete away the cross-subsidies inherent in retail banking.

But remember: bundling exists because it solves problems, either for consumers or producers. Ultimately, the choice will not lie between bundled products and focused ones, but between an old pattern of bundling and a new one. In the meantime, however, any company offering a bundled product or service – which means most companies – must reassess the way the combination works, and ask itself if a different configuration is now more appropriate.

● **Vertical integration versus "share of customer".** Growth-minded companies have come to an implicit understanding of whether their best opportunities lie in offering a wider range of products to the same customers, or seizing more of the value-added inherent in their existing range of products. Each has drawbacks. One of the principal difficulties in offering more to existing customers lies in getting the sales channel to handle a wider, more complex product range. One of the principal advantages of vertical integration has been the elimination of the information costs of dealing with supply chains.

Digital business changes both of these. Dealing with customers directly, electronically, eases the complexity overload on sales channels. Dealing with suppliers directly lowers the costs of vertical dis-integration. Companies will need to revisit the trade-off between seeking a larger share of the value added they provide the customer and seeking a larger share of each customer's purchasing. Industry value chains will be redrawn.

In resolving this trade-off, much will depend on the company's brand. Is it one which can be effectively extended to cover a wider range of products? If not, the old trade-off may still apply. But in many companies, and in many industries, digital business has changed this trade-off profoundly.

The purpose of this series has been to illustrate the way in which such issues apply to all companies, not just those involved in online retailing or computers. Digital business is not an unprecedented change in the nature of economic activity. But, like other pervasive changes, it will affect every aspect of the business world. And those impacts are already being felt.

Previous articles in this series appeared on: 13, 15, 20, 22, 27, 29 October and 3, 5, 10 November. For information on back copies contact Teresa Sanderson 0171-873 4683.

An insider's guide to an online venture

Entrepreneur **Tim Jackson** finds that ideas are ten a penny, but that the hard part is making them happen

The FT's Digital Business series has looked at many ways in which traditional companies can use internet technologies to improve their profitability. But these are dwarfed by a far more exciting opportunity – to start a new venture.

It was curiosity to know what this experience would be like that led me to start an internet business in London last year. Having written a column about the internet for the FT for the past two years, I had a privileged view of the opportunities – and decided that the online auction industry, which I had covered since its inception in May 1995, was the most exciting.

Auctions over the internet provide a new way for buyers and sellers to meet and find market-clearing prices for products and services. But they are also local, and provide an opportunity to build a big business in Europe.

That choice was probably correct. Today, two leading US auction companies, Onsale and eBay, are both public companies; the market values them at over \$3bn (£1.9bn). But I have learned a number of unexpected lessons and have been given an insider's view of digital business.

The first and most important lesson has been that execution matters more than ideas. In two years of interviewing founders of web startups, I had often accused them of lack of imagination, listing simple ways in which they could improve their services. Inside Quixell.com, as my company is called, matters suddenly became clear. Ideas are ten a penny; the hard bit is making them happen.

Running an internet business is less cerebral than my musings in the column on strategy had led me to expect. Particularly in Europe, where everything from finding offices to hiring people takes longer, mere analytical insights matter less than being persistent and thorough. Someone once said of socialism that it takes too many evenings. Entrepreneurship takes weekends too.

A second lesson was about risk. I did some careful financial modelling before the business began, but still underestimated how much cash it would need. By the beginning of 1998, Quixell.com had burned up more than £100,000 of my own money, and none of the venture capitalists who had appeared so keen at its launch the previous September had actually written a cheque. It was not until the spring that we were able to raise the first of three small seed rounds in the US that brought in nearly \$3m – but the company is unlikely to make money until 2001.

Finding others to share risk is a great deal harder in London than in Silicon Valley. To hire a smoothie marketing man of 28 last year, I had to match the £52,000 he claimed as his current salary. As the losses mounted, he turned down several opportunities to become a partner in the business. Once the corner had been turned, he demanded one-eighth of the company – and walked out when he failed to get it, taking at least one of the marketing deals with him. Today, the company has six talented and loyal senior managers – each of whom earns less than in previous jobs, but has stock options in the company.

Finding others to share risk is a great deal harder in London than in Silicon Valley

A third lesson concerned technology. Robust computer systems that do what they are supposed to do are rare in the internet business. The proof of this came on New Year's Day 1998: arriving at the office at 8am to make an early start on the year, I discovered we had unwittingly sent out 50 copies of the same e-mail to our entire customer base.

Anticipating a flood of protests, I sent out a follow-up from my personal e-mail address, explaining that the multiple mailing was a mistake, and inviting customers to call me at home if they wanted to express their annoyance. Thankfully, the incident lost us only 10 customers – but it was an early indicator of the regular need to rebuild our back-office to keep pace with the company's growth. I now understand why Jeff Bezos, chief executive of Amazon.com, holds monthly "scaling" meetings where his colleagues identify which part of the company's systems will break next – and try to replace it in time.

But the greatest lesson of all has been about speed. People often talk of "internet years", in which things happen seven times faster than normal. But experiencing the pace of change has still been surprising. In the past three months, for instance, our company has moved offices, increased its head count from 9 to 23, rolled out a fully localised German service, tripled its product lines, and doubled its customer base. Last Friday we signed up more new customers than in our first six weeks. This week, I am in California, raising another \$10m from investors to grow the business.

The pace takes its toll. At a conference a few months ago, I predicted that by mid-1999 I would be either rich or dead. On balance, the first now looks more likely than the second – but I have learned a new respect for entrepreneurs. The rewards earned by those who start companies and take them public may be impressive, but they are earned down to the last penny.

HEALTH INTERFERON BETA DRUGS

Drugs that may keep multiple sclerosis at bay

Fresh research findings suggest the treatment should be prescribed for many more patients, says **David Pilling**

For years, people suffering from multiple sclerosis, a progressive disease of the central nervous system, have not had watertight evidence that the drugs they take to combat their illness actually do them any good.

That picture is likely to change following the publication in The Lancet last week of data showing that interferon beta drugs not only work but can be effective in more severe phases of a disease that affects an estimated 1.1m worldwide.

A separate study, printed in the same UK medical journal, suggests that it might be possible to treat the disease more aggressively with higher doses of existing therapies.

Interferons were first licensed for treating patients with relapsing-remitting MS, the early stage of the disease, in 1993 when Schering, a German pharmaceuticals company, won approval for Betaferon (also known as Betaseron). Schering was able to satisfy the US Food and Drug Administration that its product, interferon beta-1b, reduced the frequency of attacks and the onset of disability.

In the early stages of MS, patients have periodic "episodes" during which they can suffer loss of vision, muscle spasms, difficulty in walking and lack of co-ordination. Such attacks are believed to arise because the body's immune system mistakenly identifies myelin – the sheath that protects nerve fibres in the brain and spinal chord – as an intruder. As a result, myelin becomes inflamed and can be permanently scarred, inhibiting signalling ability.

Interferons, natural proteins that modulate the immune system, are thought to deter the immune system from attacking myelin, although the way it works is poorly understood.

'The beneficial effects have now been replicated in three or four large trials'

Schering's drug was followed by a similar product, interferon beta-1a (Avonex) for which Biogen, a Massachusetts-based biotechnology company, won FDA approval in 1996. Biogen's product is considered by some to have fewer side effects than the earlier drug, because it more closely replicates human interferon.

Ares-Serono, a Swiss pharmaceutical company, joined the fray this year when it won approval for its version of interferon beta-1a (Rebif), which like Avonex is produced from Chinese hamster cells. All the interferons are injected, some directly into the muscle, often several times a week.

There is also a fourth drug licensed for MS. Developed by Teva of Israel, Copaxone is not an interferon but a protein-like molecule, known as a glatiramer acetate, that is thought to bind to immune cells.

Until last week's results were released, however, many neurologists felt that the data supporting use of these products were not sufficiently compelling to justify the annual $10,000 cost of treatment. Many preferred to concentrate their efforts on physical therapy, counselling and dietary regimens.

"I had been on record as expressing doubt as to whether this treatment [with interferons] had any effect," says Richard Hughes, professor of neurology at Guy's Hospital in London. "But the beneficial effects have now been replicated in three or four large trials...and I have started to prescribe."

The most significant finding is that patients with more severe MS, the so-called secondary-progressive stage, can benefit from interferons even when they are not having an attack. A study of more than 700 patients across Europe found that use of the drug delayed progression of disability for nine to 12 months over a study period of up to three years. Specifically, the drug extended the time before patients needed a wheelchair.

According to an editorial in The Lancet, written by Donald Goodkin of the MS centre at the University of California, San Francisco, results of the European trial are strong enough to suggest that "interferon beta-1b should immediately be made available for patients with secondary-progressive disease".

That is no small matter given that about half of all patients who develop relapsing-remitting MS in early adulthood go on to the more severe stage of the disease. Most are currently untreated. Schering hopes to gain approval for its drug for secondary-progressive MS early next year.

The second important finding is characterised in The Lancet editorial as more contentious, but perhaps no less compelling. A trial of 560 patients sponsored by Ares-Serono provides some evidence that higher doses of interferons have better results in relapsing-remitting patients than standard dosing.

All three competing companies believe the number of patients treated with interferons should increase as a result of the latest data – which would provoke a fierce fight for dominance in a growing and lucrative market.

Van den Berg (left) and Tjia : 'People are entitled to know what we are going to do with their money' David Ahmed

INTERVIEW TJIA TON FIE, PHILIP VAN DEN BERG

Surviving scary times

Conditions have become tough for hedge funds but two new managers tell **Jane Martinson** they have no regrets

Tjia Ton Fie and Philip van den Berg were the envy of many of their peers when they resigned their jobs just over a year ago to set up a hedge fund.

The pair had reached fairly senior positions in the City of London when they decided to start their own business. In doing so, they joined a wave of City professionals who set up hedge funds after watching the early pioneers achieve returns their own fusty investment house or established investment bank could only dream of.

Spurred on by the confidence that accompanies a bull market, these people spent bonuses on companies with names such as Olympus, Allegro and Eureka.

The amount invested in European-based hedge funds grew from $6bn at the end of 1996 to $10bn this summer, according to some estimates. Tass Management, the hedge-fund research group, estimates there were 94 managers in Europe in January 1996 and 151 this August. Anecdotal evidence suggests these figures are conservative.

Then the industry turned upside down this summer. A global economic downturn and a $3.5bn bail-out of one highly leveraged hedge fund have put an unwelcome spotlight on the industry. One fund manager who started her own business this summer admits that "hedge has become a five-letter word".

Banks are increasing demands for margin, or debt payments, and nervous clients are unlikely to continue to support an unproven manager. One prime broker, which lends to hedge funds, says: "Hedge funds were a tremendous hotbed of activity last year. What is happening now is that a lot of new managers are not going to have a chance to start up and many of those that have just done so will fold."

So, how are such managers coping in the new climate? Mr Tjia left his job as director of continental European research at Schroders Investment Management a year ago to set up Olympus Capital Management with Mr van den Berg. He admits that these are "scary times". At parties he has stopped talking about what he does. Hedge-fund managers, he says, have become "a bit like train robbers. Or maybe even worse".

Hedge-fund managers have become 'a bit like train robbers. Or maybe worse'

The Olympus recipe for survival is to stick to its original plan: to invest in European equities with both long and short strategies. The fund can invest up to 100 per cent more than the assets it owns through leverage, but has not yet done so. It has made a 30 per cent net return since December.

Such a strategy is – not surprisingly – held up by hedge fund supporters as a truer representative of the industry than Long-Term Capital Management, the US fund that almost collapsed this summer having borrowed an estimated 30 times its asset base.

Mr van den Berg, a former European equity analyst at Deutsche Bank, says of his move: "I got more and more into the managerial role and more and more away from what I wanted to do, which was research and analyse companies."

The joy of working from their Spartan office in the City is that they can act independently. "If you think of something, you can do it straight away," says Mr Tjia. "There are no committees to talk about what it all means and what's going to happen over the next year."

Both men put their own money into the business, although most of the $250m they now manage is for other people. Olympus produced a clearly written four-page summary of its investment performance and strategy in September. "We are managing other people's money," says Mr Tjia. "Those people are entitled to know what we are going to do with it."

Such openness is rare in the sector and both men welcome the possibility of greater transparency for hedge funds. "If prime brokers are going to become even more vigilant about who they lend money to, then that's fine," says Mr Tjia. "If every bank had done that in the first place, it's unlikely we would be in this situation."

In spite of the difficult times, neither Olympus founder regrets forsaking the comforts of a large organisation. "If we didn't leave then, when would we have?" says Mr Tjia.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 12.11.98 | Final Prices for Trading on [illegible]

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	20.80	11.18	11.31	0.85
0100	20.80	9.50	9.50	0.00
0130	18.97	11.66	11.79	0.85
0200	18.97	11.66	11.78	0.85
0230	18.97	15.00	15.12	0.85
0300	18.97	15.00	15.12	0.85
0330	18.97	11.42	11.55	0.85
0400	9.33	11.42	11.55	0.85
0430	9.36	11.42	11.55	0.85
0500	9.32	11.42	11.55	0.85
0530	9.33	15.26	15.38	0.85
0600	9.38	15.26	15.38	0.85
0630	12.87	15.26	15.38	0.85
0700	20.56	15.47	15.59	0.85
0730	26.56	20.54	20.67	0.85
0800	26.56	25.80	25.94	0.85
0830	21.13	28.70	28.84	0.85
0900	22.69	28.70	28.85	0.85
0930	93.02	21.09	21.23	0.85
1000	93.02	21.10	21.24	0.85
1030	93.02	20.58	20.72	0.85
1100	93.02	22.28	22.43	0.85
1130	29.18	22.31	22.46	0.85
1200	29.17	28.75	28.90	0.85
1230	53.21	28.74	28.90	0.85
1300	53.21	28.72	28.86	0.85
1330	33.04	22.26	22.40	0.85
1400	33.04	22.24	22.37	0.85
1430	33.04	22.23	22.36	0.85
1500	33.04	22.23	22.36	0.85
1530	33.06	20.67	20.80	0.85
1600	26.35	20.54	20.67	0.85
1630	60.62	20.57	20.71	0.85
1700	70.49	22.29	22.44	0.85
1730	89.41	22.29	22.44	0.85
1800	76.88	22.31	22.47	0.85
1830	56.18	29.70	30.18	0.85
1900	46.04	57.38	57.95	0.85
1930	37.95	67.38	67.92	0.85
2000	29.29	56.42	56.73	0.85
2030	35.59	28.73	28.89	0.85
2100	33.10	20.90	21.04	0.85
2130	33.10	20.67	20.80	0.85
2200	28.10	15.26	15.38	0.85
2230	20.46	15.47	15.59	0.85
2300	20.48	15.26	15.38	0.85
2330	20.46	14.47	14.59	0.85
2400	20.46	15.03	15.16	0.85

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg [illegible]/MWh becomes 1.488p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. [illegible]

CINEMA

A movie stoned out of its mind

Paranoia should be better structured, writes **Nigel Andrews** after being bowled over by one surreal brain-wave after another

For a film with so many memorable moments, it is amazing how quickly one wants to forget Terry Gilliam's *Fear And Loathing In Las Vegas*. Nightmares can be like that too. Ineradicable images you want to tell your friends about are mixed into an overall experience you would shudder to re-enact.

Hunter S. Thompson's book, befitting that mystery middle initial, was everything that began with "S": seminal, Sixties-going-on-Seventies and (p)sychedelic. The founding opus of gonzo journalism, it was an unbuttoned orgiastic version of Tom Wolfe. The language, mad with hallucination, alliteration and onomatopoeia, was a masterpiece of controlled dyslexia, suiting the story of a reporter stoned out of his skull in Sin City, Nevada.

It would have been unbearable if it wasn't funny, which brings us to the movie. Gilliam explodes previous definitions of the word "frenetic" while barely once making us laugh. He starts at Mach 2 and then tries to go faster. Johnny Depp's Thompson-based hero has comic promise, and takes corners cleverly. The walk is a bandy-legged zigzag *à la* Groucho Marx and the voice is a droll, abrasive purr. But even Depp is soon skidding helplessly through the narrative. And as he turns his professional mission to Vegas – to cover the Mint 400 motocross race – into a weekend-long bender, his mindblown attorney and constant companion is played by Benicio Del Toro with no grace-notes at all.

The film roars on, hoping we are roaring too, through slapstick, drug sessions, parties, vomitings. Gilliam has one surreal visual brain-wave after another, like a man seeing everything through a famous-label vodka bottle. A hotel receptionist's head morphs into a monster's; a gambling hall's floral carpet turns into a leg-entwining jungle; creature-heads multiply around the tables; and did we mention the bats?

FEAR AND LOATHING IN LAS VEGAS
Terry Gilliam

HENRY FOOL
Hal Hartley

LEFT LUGGAGE
Jeroen Krabbe

BLADE
Steve Norrington

THE ODD COUPLE II
Howard Deutch

The soundtrack freaks out simultaneously. Depp's voice performs near-ultrasound gibbers and squeaks under the influence of one new and deadly dope, and the "Ride of the Valkyries" blasts over a drive through the desert. I thought I heard someone enthuse as we emerged last May from the Cannes screening, "Man, it's so yesterday it's almost like tomorrow."

It seemed to me more like cosmic standstill. The film teaches us what we did not need to be re-taught: that a Gilliam with *carte blanche* is a dangerous beast (*Baron Munchausen*) and that he is better caged inside a script where the paranoia is structured, tidy, even moralistic (*The Fisher King*, *Nine Monkeys*, much of *Brazil*). For nothing is drearier than watching a talented anarcho-surrealist flail about *al fresco*, with nothing to beat his fists against but thin air.

★

Hal Hartley's *Henry Fool*, as that prolix title might suggest from the man who gave us *Trust*, *Amateur* and *Flirt*, is almost epic by his standards. Over two-and-a-half hours the film turns a Pinter-sized premise into a 10-gallon fable: the tale of an enigmatic stranger taking over the life and family (promiscuous sister, ailing mother) of a young dustman. Henry Fool (Thomas Jay Ryan) is a writer *manqué*, so he urges Simon Grim (James Urbaniak) to swap garbage for great words. Meanwhile Henry himself seduces everyone in sight.

That is just Act One. We then move into a droll riot of role reversals, with Hartley playing every thinkable variant on themes such as pupil becomes master, seducer becomes victim, angel becomes animal – find an excuse to send Aunt Edna into the lobby during the bowel-movement scene – and style-wise Pinter becomes Borges. For the movie ends by turning into a metaphysical maze, alternately funny and winningly weird. Indeed it won the Best Screenplay award at Cannes, as befits Hartley's best film since his first *The Unbelievable Truth*.


Skidding helplessly through the narrative: Benicio Del Toro and Johnny Depp in 'Fear and Loathing in Las Vegas'

In *Left Luggage*, actor-turned-director Jeroen Krabbe makes a touching chamber movie from the tale of two post-Holocaust families in 1970s Antwerp. The philosophy-student daughter of one (Laura Fraser) becomes nanny to the son of the other, but her modern-woman ideas upset the boy's strict Hassidic parents. "To be a philosopher you need to wear trousers?" quavers Isabella Rossellini, while Krabbe as dad splutters, seethes or waves the Talmud. Happily, or sadly, a domestic tragedy works to bring the two worldviews closer together.

The underlying theme is "How does your pride and that of your race survive Hitler?" Fraser's own father (Maximilian Schell) finds another way: he searches for the eponymous suitcase of loot he hid during the war. "It's his lost self he's digging for," his wife Marianne Saagebrecht doesn't need to explain to us. The film, based on a novel by Carl Friedman, is sombre and absorbing, but Krabbe might have done more to resolve the Euro-clashing accents, and to take the schoolroom over-emphasis out of this well-meaning plea for love and reconciliation.

"This is gonna hurt – a lot," says medic Kris Kristofferson as he injects a vampire-bitten girl with "essence of garlic." She and we appreciate the honesty. *Blade*, a comic-strip-based bloodsucking romp, has performed briskly in the US where young audiences like to inject adrenalising drivel straight into the veins, never mind the pain. By contrast, filmgoers over 40 and / or over here may wince at this plotless succession of fights, more fights, special-effects burnings and eviscerations.

Surely a *little* character background would help us understand why hero Wesley Snipes, caped and clothed in black leather, has made a vocation out of smouldering impassively from one showdown to the next? And wouldn't an occasional pause in the day's preoccupation – vampire-blasting – have let us recharge our interest and appetite? Instead Steve Norrington directs like a man possessed, though not by talent, and Kristofferson and Stephen Dorff vamp bravely in supporting roles.

A film such as *Blade* makes a film such as *The Odd Couple II* seem like the works of Proust. I entered the cinema quailing at the prospect of another Lemmon-Matthau vehicle. Neil Simon's Felix and Oscar, 30 years on, might be indistinguishable from this duo's late-unlamented "grumpy old men".

Instead the film is harmless, charming and even funny. It dwells, unlike *Blade*, in that lost city for moviegoers called Real Human Life. Simon's script allows primly ulcerous Lemmon and shambleshanks Matthau to break down en route to the wedding of M's son with L's daughter, and thereby hangs the tale. They suffer accident, crop-dusting and serial arrest, but still find time to deliver slow-burn takes and quality one-liners. The film is also a blow for Wrinklies Lib. Has any actor before Matthau made a cosmetic feature of the hair in his ears?

The week's other titles, *Insomnia* and *The Knowledge Of Healing*, sound like a cure calling out to an affliction in a testing week. The first is a murder thriller from nightless Norway, with Stellan Skarsgard (*Breaking The Waves*) manoeuvring his sallow, compelling phiz through director Erick Skjoldbaerg's midnight-sun images. The second (Franz Reichle) is a hopelessly ill-coordinated look at Tibetan medicine, which makes the country's exiled outposts seem a quack's paradise rather than the homeopathic heaven presumably intended.

OBITUARY SVETLANA BERIOSOVA

A ballerina born to dance

The death occurred in London on Tuesday of the ballerina Svetlana Beriosova. She was 67 years old. At this moment, images of Svetlana Beriosova fill my mind. They tell of a ballerina of serene physical beauty and of no less lovely temperament. On stage she seemed to have a pearl-like radiance, softly effulgent, the dance offered to us with a generosity and a grace that were the essence of her character.

We first saw her as a prodigally gifted young girl whose dancing had an innocent loveliness. She was born into the ballet – her father was the Lithuanian dancer and producer, Nicholas Beriozoff – and her first steps were taken in America where her father was dancing with the Ballets Russes de Monte Carlo. She was briefly with the Marquis de Cuevas Ballet in 1947, but her qualities were really first recognised when she joined the Metropolitan Ballet in London in 1948, when she was 16, and appeared as a dancer of ravishing and still child-like lyricism in *Fanciulla delle rose*, a ballet made for her by Frank Staff. She was already memorably assured and yet freshly touching in all she danced – a nascent ballerina of rare potential. This potential was to be realised when she joined the Sadler's Wells Theatre Ballet in 1950, transferring thence to the Covent Garden troupe two years later.

Throughout the great years of the 1950s and early 1960s, Beriosova was seen in a wide range of roles – the traditional classics, of course, but also in many designed to exploit her expansive style and her innate aristocracy. To all of these she brought a generous and illuminating sensibility: nothing looked either mean or uncertain. The dance was full, sometimes touched with a mysterious melancholy (as with her Odette in *Swan Lake*), always polished in manner. Lest it be thought that she was a purveyor of spurious "Russian soul" – she was unrivalled as the Tsarevna in *Firebird* – let me add that she was one of the most enchanting and witty of Swanildas.

Her created roles ranged from the fine achievement of John Cranko's *Prince of the Pagodas* in which she was ideally seen as Princess Belle Rose, to Ashton's Lady Elgar in *Enigma Variations* and also his *Persephone* (in which her lovely voice – deeper than one might expect – and her impeccable French were also used. I can never hear this Stravinsky score without hearing Beriosova's voice and seeing her simplicity and dignity as the young goddess). She was also the Tsarina in MacMillan's *Anastasia* and a wonderful Fairy in his lyric version of *Le Baiser de la fée* and, in her assumption of already created roles, flawless as the Bride in *Les Noces* and as the Hostess in *Les Biches*, and in so much else of the repertory.

She was in everything a ballerina whose understanding of her art and command of its nuances went to the very core of any role she assumed, imbuing it with a warm humanity or, sometimes, a moonlit radiance – she inhabited the world of Fokine's *Sylphides* with an intangible charm. She was adored by the public, and by her colleagues. Her partnership with Donald MacLeary was to win yet further international acclaim for the Royal Ballet.


Enchanting: Svetlana Beriosova

Her life was tragically marked by ill-health, and her marriage ended in divorce. She left the stage in 1975, but was highly regarded as a coach in those roles she had danced so grandly. Her last years were darkened by serious illness. But she leaves behind those priceless images of a ballerina blessed with an extraordinary ability to tell the great truths about theatrical dancing with a heart-stopping sensitivity and dignity. She was an artist unique, beautiful.

Clement Crisp

NEW YORK OPERA JONATHAN MILLER'S NEW 'FIGARO' AT THE MET

Superb cast and no gimmicks

This year's presentation of *Le nozze di Figaro* at the Metropolitan Opera is new in more than one sense. To be sure, the unsatisfactory old staging has been replaced by a bright, delicate, almost gimmick-free production by Jonathan Miller, with light-filled sets by Peter Davison and apposite, attractive costumes by James Acheson. Subtly lit by Mark McCullough, the Almavivas' palace is an elegant collection of spacious rooms, high windows, convenient alcoves and courtyard. Even the lumber-room, newly assigned to Figaro and Susanna in the first scene, is high-ceilinged, freshly whitened and – if not, as Figaro boasts, "the best room in the palace" – it is a place with a lot of possibilities, as a decorator would say.

Within this attractive framework, the principals move naturally, spontaneously; and they sing with brio and conviction. This *Figaro* is new also because, in the title role, Bryn Terfel has clearly devoted time and thought to reassessing his interpretation. Having taken off a few extra pounds, he has also trimmed and focused his acting. While maintaining the power of his physical presence – and the understated menace implied by his sheer size – he has refined his Figaro into an original creation. Wisely avoiding any attempt to follow in the suave, quicksilver tradition of Pinza and Siepi, Terfel is a burly, wily peasant, simple in his affections, intense in his contempt for overweening power. He is a force to be reckoned with, not least because of his all-embracing sense of humour.

Humour is the forte, of course, of his new Susanna, Cecilia Bartoli. Her earthy feeling for fun, coupled with a ready indignation and spirit of adventure (and her warm, human voice), make her an ideal mate for Figaro and a splendid match for the Count (a sardonic, truculent, and effective Dwayne Croft). In her banter with Cherubino, the delightfully adolescent Susanne Mentzer, Bartoli sometimes assumes an almost matronly aspect, which enhances the ambiguity of the situations.

In the midst of all this spirited intrigue, Renée Fleming appears like a superior being, the inhabitant of a world with deeper feeling, a wider range of emotion. Her two arias are ethereally produced, with a dreamy melancholy underscoring the sheer beauty of her sound. The smaller roles are well taken; at first Wendy White seems a young Marcellina, but her spiteful wit suggests that she is a powerful adversary and Figaro is wise to fear her. Paul Plishka is a rather sober Bartolo, but also a full-bodied character.

Bartoli has been criticised for replacing Susanna's two chief arias ("Venite inginocchiatevi" and "Deh vieni, non tardar") with two arias Mozart composed for a 1789 revival with Adriana Ferrarese del Bene, one of the creators of *Così fan tutte*. The earlier arias are probably superior, but it is interesting – and rewarding – to hear Bartoli perform the rather simple piece in Act 2 and the much showier rondò in the final act. Certainly, the conductor James Levine seems to like the Ferrarese pieces: he directed them, as he did the entire performance, with conviction and panache.

William Weaver

INTERNATIONAL Arts Guide

ABERDEEN

OPERA
His Majesty's Theatre
Tel. 44-1224-641 122
The Magic Flute: by Mozart. Scottish Opera production by Martin Duncan, conducted by Richard Farnes; Nov 13, 14

AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 5911
The Rake's Progress: by Stravinsky. Conducted by Reinbert de Leeuw in a staging by Peter Sellars. Cast includes Donald McIntyre, Thomas Randle and Willard White; Nov 12

BERLIN

DANCE
Deutsche Oper
Tel: 49-30-34384-01
Cinderella: new staging by Roberto de Oliveira. The title role is danced by Tamako Akiyama, and the conductor is Peter Ernst Lassen; Nov 13, 17

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Götterdämmerung: by Wagner. Conducted by Christian Thielemann, with a cast including Gabriele Schnaut, Wolfgang Neumann and Esa Ruuttunen; Nov 14

Staatsoper unter den Linden
Tel: 49-30-2035 4555
www.staatsoper-berlin.org
Christoph Kolumbus: by Milhaud. New staging by British film director Peter Greenaway, conducted by Philippe Jordan; Nov 15

CHICAGO

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
www.lyricopera.org
Ariadne auf Naxos: by R. Strauss. New production by John Cox, conducted by Robert Spano. Cast includes Deborah Voigt and Susan Graham; Nov 12, 15, 17

EDINBURGH

OPERA
Edinburgh Festival Theatre
Tel: 44-131-529 6000
Scottish Opera: Tristan und Isolde, by Wagner, in a production by Yannis Kokkos. Cast includes Jeffrey Lawton and Eva-Maria Bundschuh; Nov 17

HELSINKI

DANCE
Finnish National Ballet
Tel: 358-9-403 021
Giselle: staging by Sylvie Guillem. With sets and costumes by Ramón B. Ivars. Conducted by David Garfoth; Nov 12

LONDON

CONCERT
Barbican Hall
Tel: 44-171-638 8891
London Symphony Orchestra: Michael Tilson Thomas conducts a series of works by Stravinsky; Nov 15

DANCE
Sadler's Wells
Tel: 44-171-863 8000
Rambert Dance Company: Cruel Garden, by Lindsay Kemp and Christopher Bruce. Evocation of the life and work of Federico Garcia Lorca, set to music by Carlos Miranda, performed by London Musici; Nov 12, 13, 14

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
Boris Godunov: by Mussorgsky. Conducted by Paul Daniel in a new staging by Francesca Zambello, with sets by Hildegard Bechtler. John Tomlinson sings the title role; Nov 14

LOS ANGELES

OPERA
L. A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
Falstaff: by Verdi. Revival conducted by Gabriele Ferro in a staging by Stephen Lawless, with sets by Hayden Griffin; Nov 14

MANCHESTER

CONCERT
Bridgewater Hall
Tel: 44-161-907 9000
Alfred Brendel: recital by the pianist of works by Schubert and Mozart; Nov 17

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Munich Philharmonic Orchestra: conducted by Gerd Albrecht in works by Reimann and Schumann, with the Philharmonic Choir; Nov 12
● Munich Symphony: conducted by Hayko Siemens in Verdi's Requiem Mass. With the Munich MottenChor and soloists including Olga Romanko; Nov 13

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
www.staatstheater.bayern.de
Der Freischütz: by Weber. Conducted by Zubin Mehta in a new production by Thomas Langhoff, with designs by Jürgen Rose. Cast includes Petra-Maria Schnitzer and Peter Seiffert; Nov 12, 15

NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
New York Philharmonic: conducted by Colin Davis in works by Berlioz, Martin and Mahler. With soprano Inger Dam-Jensen and bass-baritone Thomas Quasthoff; Nov 12, 13, Nov 14

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Le Nozze di Figaro: by Mozart. New staging by Jonathan Miller, with designs by Peter Davison. The cast is headed by Felicity Lott, Cecilia Bartoli and Bryn Terfel, and the conductor is James Levine; Nov 14

ROME

EXHIBITION
Palazzo del Quirinale
La Dama con l'Ermellino: Leonardo da Vinci's 1489 portrait of the young mistress of Duke Ludovico of Milan travels to Italy for the first time since 1800, when it was purchased by the Polish Prince Czartoryski; to Nov 14

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
San Francisco Symphony Orchestra: conducted by Herbert Blomstedt in works by Mozart and Bruckner. With piano soloist Peter Serkin; Nov 12, 13, 14

OPERA
San Francisco Opera, War Memorial Opera House
Tel: 1-415-864 3330
www.sfopera.com
Don Carlo: by Verdi. Conducted by Emmanuel Joel in a staging by Emilio Sagi, with designs by Zack Brown. Cast includes Anthony Michaels-Moore; Nov 14

STOCKHOLM

EXHIBITIONS
Moderna Museet
Tel: 46-8-5195 5200
www.modernamuseet.se
● In Visible Light: Photography and Classification in Art, Science and the Everyday. Traces the evolution of photography from its anthropological and scientific applications in the late 19th century to works by artists inlcuding Andy Warhol and Cindy Sherman; to Nov 15
● The Desiring Eye: 220 works spanning the history of photography, from the 1840s to the present. Includes works by Hill-Adamson, Julia Margaret Cameron, Nadar, Alfred Stieglitz, Man Ray and Berenice Abbott; to Nov 15

TOKYO

EXHIBITION
Metropolitan Museum of Photography
Tel: 81-3-3280 0031
Love's Body: Rethinking Naked and Nude in Photography. Includes works by Alfred Stieglitz, Robert Mapplethorpe and Catherine Opie; from Nov 12 to Jan 17

WASHINGTON

OPERA
Washington Opera, Kennedy Center
Tel: 1-202-295 2400
www.dc-opera.org
Fedora: by Giordano. Conducted by Roberto Abbado in a production by Lamberto Puggelli, directed here by David Edwards. The cast is led by Mirella Freni and Placido Domingo; Nov 14, Nov 17

■ TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

SAMUEL BRITTAN
ECONOMIC VIEWPOINT

A lop-sided debate

The McKinsey study of UK productivity corrects some fallacies, but still needs to be taken with a pinch of salt

At a time when the British government is shifting its attention to the much proclaimed UK "productivity gap", a study of the subject by the McKinsey Institute (Driving Productivity and Growth in the UK, McKinsey Global Institute, Washington DC) has been useful in knocking down some long-held fallacies. Nevertheless, it needs to be taken with a greater pinch of salt than it has been so far.

A report cannot be entirely bad if it is sceptical of the conventional wisdom that Britain's difficulties are due to low investment or the *low technical skills of the* workforce. The report asserts that "in most cases they are consequential or secondary effects rather than root causes".

Even if (a big if) the UK could close its capital investment gap compared with the US without changing the level of capital productivity, only one-fifth of the productivity gap between the two countries would be reduced. Moreover, "comparison between the US and Germany suggests that operational best practice is far more important than *vocational training in* generating high productivity".

A minority of unfashionable economists has long proclaimed this message. Tibor Barna of Sussex spent many decades arguing that investment was a consequence of innovation and entrepreneurial imagination and could not usefully be force-fed. There is a chance that more notice will be taken of a high-profile management consultancy; and indeed some of the hints from Gordon Brown, the chancellor, and Peter Mandelson, the trade and industry secretary, suggest that the message is beginning to come across.

McKinsey's special contribution is to highlight such things as insufficient market competition and excessive or wrong-headed land use regulation, which are a long way from macroeconomics. The study highlights the effects of a more liberal planning approach to the dramatic development of London's Docklands. For these insights one can almost forgive the cliche on page one: "Productivity could be the engine of accelerated growth of the UK economy, *with tangible benefits for* everyone. But releasing the barriers to productivity-driven growth will take time and effort, and will also require the UK to revisit some of the critical trade-offs between social and economic objectives." Similar sentences must have existed in standing type since the time of Sir Stafford Cripps, chancellor, 50 years ago.

In any case many of the bloated "productivity gap" figures, so often quoted, are highly misleading. They result partly from ignoring the so-called non-market *sector such as government* services, health and education. They also arise from concentrating on labour productivity, measured by output per hour worked. In fact hours worked per head of population are some 30 per cent higher in the UK than in France and about the same as in Germany, although less than in the US. "France and Germany have to some extent priced low-skilled jobs out of existence because the minimum cost of labour is too high to sustain them." Yet "there is always a risk that domestic or European policy initiatives will undermine these sources of UK advantage".

If working hours were the result of an entirely free choice between take-home pay and leisure, then output *per hour might indeed be* some measure of efficiency. Alas, the tightly regulated continental European labour markets leave little scope for such choice: and the Jospin government's reduction of the working week will narrow the scope further. It is no surprise that if you cut working time, more will be produced per hour in the hours that are left – but not necessarily enough to compensate for the output loss.

There are other subtleties which destroy the more facile league tables. Even in *the "market sector"*, it is only labour productivity that lags. British capital productivity is estimated by McKinsey to be higher than that of France and Germany and only 10 per cent below that of the US. If capital and labour are put together to provide an estimate of "total factor productivity" then the UK is seen to lag France by 13 per cent, Germany by 14 per cent and the US by 26 per cent – numbers that correspond more closely to on-the-spot impressions than the more lurid comparisons so often trumpeted.

A look at gross domestic product per capita gives a similar impression. If the UK is put at 100, France is 107, Germany is 116, and the US continues to lead with 143. After widening up to 1980, the UK gap stabilised or even slightly narrowed during the Thatcher and Major governments. A little generosity in acknowledging this fact would not lose Labour the next election.

What are the policy conclusions? The consultancy has done a useful job in showing that the British market is not nearly as competitive as some believe. Many of the obstacles are no longer to be found in old-fashioned tariffs or cartels but in practices which do not stem from *areas normally* seen as economic policy. For instance I had not realised that the number of pharmaceutical outlets is strictly regulated: nor that the milk quotas of the EU discriminated so sharply against the UK.

When it comes to the other main finding, the restrictions on land use, doubts begin to set in. The report accepts that *some* restrictions on land use are justified to "protect the nation's countryside, high streets and heritage". Nor does one need any *persuasion that the detailed* operation of these controls is often faulty. Indeed McKinsey could have gone further in pointing out that the motive for nimby ("not in in my backyard") policies is often not an attachment to the higher things in life but a desire to maximise land values.

The report concludes that the balance between promoting productivity and land planning needs to be re-examined. We knew this before. One would have hoped that it would have at least begun such a reappraisal. Instead it simply carries on the bad tradition of concluding one report by calling for fresh studies.

Legitimate doubts go even further. If people have higher take-home pay but have to spend their time driving in eight-lane highways to dehumanised shopping or residential centres, then the losses might outweigh the gain.

Such scepticism about productivity studies does not depend on a belief that one can or should try to measure happiness. Nor does it depend on a mystical attachment to non-material values. It is simply based on the liberal economist's view that the object of policy should be to increase individual choices and *opportunities*. These have some relation to GDP, but only of a crude kind.

The whole productivity debate assumes that the government is what Michael Oakeshott, the late political philosopher, called an "enterprise association" with objectives akin to those of a business corporation. By contrast he described the model of a "civil association" in which laws and government exist to help individuals, families and voluntary associations achieve their aims.

A civil association leaves *more room for public policy* than perhaps Oakeshott allowed. The objection to nimbyism or to milk quotas is not that they hold down national productivity, but that they are intrusive impositions by special interest groups to prevent the rest of us from achieving legitimate objectives. An attack on interest group restrictive practices would improve productivity as a by-product. But that would not be its main aim. Productivity is, like happiness and many other things in life, best achieved by not aiming at it too directly.

Samuel.brittan@ft.com

Productivity measures
1994-96 (UK=100)

	Labour: Output per hour worked	Capital: Output per capital service	Total factor productivity
UK	100	100	100
France	126	92	113
W.Germany	126	93	114
US	137	110	126

Source: McKinsey

PERSONAL VIEW PAUL DE GRAUWE

Law unto itself

The European Central Bank is accountable to no one. This compromises its chance to be truly independent

Do the conditions exist for the successful independence of the European Central Bank? The answer is no, for the following reasons.

First, the independence of Euroland's central bank was imposed by Germany as a *sine qua non* for the start of economic and monetary union. While central bank independence has strong political and social support in Germany, it lacks the same kind of support in most other Euroland countries. Thus, the willingness to defend the ECB's independence will be weaker in these countries.

Second, and more importantly, political independence of the ECB has been based on a very primitive political theory. According to this theory, the ECB consists of wise men, whereas politicians are wicked people who are eager to undermine the good policies of a central bank. It follows, therefore, that politicians should be kept as far away as possible from the monetary action.

The statutes of the ECB (which are a part of the Maastricht treaty) have been very much influenced by this antagonistic view of relations between a central bank and the political world. Not only is the ECB shielded from politicians, the statutes have also placed the ECB beyond the reach of democratic rules that sanction bad behaviour.

Let us look at a few examples of the ECB's lack of accountability.

The ultimate control which politicians have over a central bank lies in the fact that they can change its statutes: the terms of appointment for governors, for example. This is the case in Germany, where a simple majority in parliament can change Bundesbank law. But this possibility is totally absent in Euroland. The statutes of the ECB can only be changed by revising the Maastricht treaty, which requires unanimity of all member countries. As this will be very difficult to achieve, the power of the politicians to discipline the ECB (to which they have delegated their power) will be non-existent. The stick politicians *have been given* to call the ECB to order may turn out to be only a straw.

It is sometimes said that there will be political control over the ECB because the president of the ECB will have to appear before the European parliament to explain *its policies*. However, the impact of these regular appearances is likely to be small because the European parliament is weak and lacks the power to change the bank's statutes.

The stick politicians have to call the ECB to order may turn out to be a straw

The situation is very different in the US, where the chairman of the Federal Reserve has to appear before Congress every quarter, knowing that the politicians on the opposite side of the table have the power to break the independence of the Fed. This leads to a situation in which US politicians perceive themselves as stakeholders in the Federal Reserve. Sadly, this stakeholder attitude will be absent in Euroland. Wim Duisenberg, the ECB president, has aggravated this state of affairs by announcing that secrecy will be the guiding principle of the ECB board's deliberations.

In democracies, all power is delegated power. People delegate power to politicians. Politicians delegate power to specialised institutions. In order for this pyramid to work well, at each stage there must be a strong mechanism which ensures that those who receive power remain accountable.

These principles were not taken into account when the ECB was being set up. It was generally thought that the construction of a Chinese wall between the bank and political institutions would strengthen the ECB. But the opposite is the case. The political no man's land that surrounds the ECB will weaken it as an institution because few politicians will have an incentive to defend it. It is a paradox. The excessive independence of the ECB will be a source of weakness rather than strength.

This is a shame because the case for a successful and independent ECB is strong. Economic theory and empirical evidence have taught us that a central bank's independence is necessary to guarantee that monetary policies are conducive to price stability. But it is also true that independent central banks generally operate in countries where a strong consensus exists in favour of independence.

Thus, political independence can only exist when politicians, as stakeholders, believe it is in their interest to continue to defend that independence. And a crucial factor necessary to keep the equilibrium is accountability. Intelligent central bankers understand this. They are willing to explain their behaviour, they avoid secrecy and allow their decisions to come under scrutiny. Only then, can they ensure the political support that is necessary for their survival.

The design of the ECB is flawed and will have to be changed. Failure to do so will jeopardise the whole European project of economic and monetary union.

The author is professor of economics at the University of Leuven and a member of the Belgian parliament

Exit Baghdad

Roula Khalaf explains why the current crisis over Iraqi weapons inspections is worse than earlier episodes

The decision to pull United Nations weapons inspectors and relief staff out of Baghdad shows that the current crisis in relations between Saddam Hussein and the west is more serious than many earlier episodes. It is not merely another exercise in mutual brinkmanship. It is confronting the US and its allies with the *need to rethink the whole* strategy of containing the Iraqi leader.

In recent confrontations, Mr Saddam expelled only American inspectors, or prevented investigators from visiting his presidential compounds. This time he has crippled Unscom, the UN inspectors commission, by refusing to allow any inspections at all. Moreover, he took that action on the day after the UN security council agreed to hold a comprehensive review of sanctions, a measure he had been seeking.

Goodbye to all that: UN inspectors pull out of Iraq

The uncompromising nature of Mr Saddam's actions has made this crisis easier for the US to handle in the very short term – but much harder in the long run. It has revived serious questions about the policy of containment of the last eight years, based on a draconian embargo on oil exports and most imports, which would only be lifted once Unscom certified that Iraq was free of weapons of mass destruction.

The US has been comforted in the past week by its ability to put up a common public front to condemn Mr Saddam's move and lay the blame squarely on him. Officials know that there is no appetite in the Arab world, nor in Russia or China, for military action. But they have managed not to allow the divisions on Iraq at the UN Security Council to surface too visibly. Russia and China have spoken out against military action, but have not rushed emissaries to Baghdad to try to make a deal with Mr Saddam.

Most damaging to Iraq has been the French position. In a marked departure from the last crisis in February, France is not even ruling out participation in a military campaign. "Firm messages have to be taken seriously, and they could make Iraq understand that its policy is the wrong one," says a European official. "The room for diplomacy is very narrow, there is nothing left to cede to Iraq."

With the threat of military action looming, however, the US and countries that were part of the Gulf war alliance are having to face the questions about Iraq they have long tried to avoid, principally what happens the day after military strikes, and what are the options available to continue containing Mr Saddam.

The repeated crises provoked by Mr Saddam have, above all, suggested that the current policy of sanctions and inspections is no longer sustainable. The inspection regime has given him the power to provoke a crisis almost at will. And sanctions have not weakened his regime, in spite of their devastating effect on the Iraqi population. Support for sanctions has gradually eroded, especially in the Arab world. Even Saudi companies took part in the Baghdad fair this month, for the first time since the Gulf war.

In the Arab world, as elsewhere, questions have also arisen about the effectiveness of the inspections regime, especially as run by Richard Butler, the controversial Australian diplomat who heads Unscom.

Inspections have not been a failure. The International Atomic Energy Agency has virtually accepted that Iraq is free of nuclear capability. Unscom is close to being able to close the missiles file and can account for much, though not all, of Iraq's chemical weapons-making capability. The principal sticking point remains in the area of biological weapons, where Unscom lacks even a broad understanding of what Iraq had been up to before the Gulf war.

However, Unscom has been able to make only limited progress in the past year because it can only function with Iraqi co-operation. As Iraq became more determined to get sanctions lifted, Unscom has become an easy target around which crises could be repeatedly created. The agency has also become politicised: Iraqi accusations of spying by some inspectors are no longer considered unbelievable in many capitals.

Although there is much talk in Washington, London and Paris about launching heavy bombardments that would weaken Mr Saddam, no one is seriously considering a ground operation that would bring an end to his rule. All that may be on the table is the hope that perhaps the instability provoked by military action would lead to an internal coup.

Thus, in considering the aftermath of the use of force, one group in the US administration appears to be arguing for a policy that abandons Unscom entirely. It would seek to contain Mr Saddam through sanctions, coupled with a continuous threat of force. Such a policy has the merit of removing from Mr Saddam's hands the chance of creating further crises over the inspections. As one UN official says, such a policy assumes that Unscom is doomed anyway, since Mr Saddam may well respond to military action by shutting it down completely, expelling *the inspectors, and turning* off the sensors and cameras installed to monitor facilities that have already been inspected.

But in the longer term, such a strategy would also remove the only system capable of telling whether Iraq is rebuilding its weapons of mass destruction. Equally the lack of an inspection system would provide the US with the opportunity to argue that sanctions should stay until Mr Saddam goes.

Russia, China and to a lesser extent France have long been arguing that the oil embargo should be lifted, while the system of monitoring of facilities should be maintained and strengthened, and a strong check kept on imports by Iraq. Such a policy would take away the card Mr Saddam uses to drum up support internally and raise sympathy in the Arab world, but it has the disadvantage of being too drastic a change for Washington policy makers to stomach.

Mr Saddam's decision to cripple Unscom was triggered by the US refusal explicitly to commit itself to lifting the oil embargo if Iraq complied with disarmament requirements – as stipulated by UN resolutions. But French officials argue that even without this, the US was slowly coming round to the idea that it would be difficult to continue justifying sanctions which punished Iraq's people more than its regime. They now believe Mr Saddam's action has made it more difficult for Washington to contemplate such a shift in policy.

The unattractive options before the US in the event of a military adventure are making officials hope Iraq will back down. The problem, however, is that the Iraqi strongman believes his advantage lies precisely in the absence of a clear policy and the fact that eight years after the Gulf war, the international community has yet to find and agree on an effective way of dealing with him.

LETTERS TO THE EDITOR

Euro as Doppelmark is a value worth bidding for

From Lord Cobbold.

Sir, Before the dark days of September 1992, it looked as though the D-Mark was cruising gently towards the blessedly convenient figure *of DM2 = Ecu1. This rate, if* it could be maintained until the close of business on Thursday December 31 1998, would become the D-Mark rate against the new euro.

After the European exchange rate mechanism bust-up, that possibility seemed lost forever. However, in recent times, thanks in large part to the recovery of sterling within the Ecu basket, the DM/Ecu rate has risen again as high as 1.98. The euro as a Doppelmark is once again within the frame of the possible.

Just think for a moment how beneficial it would be to the success of the euro if the *rate could be fixed in seven* weeks' time at exactly DM2. The D-Mark is the best-known and most widely used of Europe's currencies. For millions of people it is an accepted unit of value.

The Germans in particular are courageously but nervously surrendering their mark in favour of the euro. If the euro were fixed at exactly DM2, its links with the mark would be psychologically and practically strengthened. D-Mark notes and coins would have exact equivalents in euros. Giving change in shops would be easier. German vending machines could give exact *euro equivalence during the* transition period before the issue of euro notes and coins.

For other nationalities either participating in the euro or on the outside, it would present a readily absorbable marker as to the new euro's value.

Of course, it can be argued that even at 1.96, the euro will be thought of and mentally converted at DM2. But the practical and psychological advantages would not be the same.

If the markets and central banks were to consider the idea seriously, it should not be difficult, in the thin foreign exchange markets between Christmas and New Year, to bid up sterling and the Ecu itself by about 2 per cent to achieve an external value of the Ecu at close of business on December 31 of exactly DM2.

Come on central bankers, *give it a go!*

Cobbold,
Knebworth House,
Knebworth,
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Acting responsibly in low-inflation world

From Mr Ciaran O'Hagan.

Sir, There is no evidence of deflation, so the European Central Bank has no reason to cut rates for now. So suggests your Frankfurt correspondent, Wolfgang Munchau ("Euro-zone interest *rates seen as low enough*", November 10).

I read this on the very day that French and German CPI come out at 0.4 per cent and 0.7 per cent annualised respectively. Only seven months ago, the Hoffman report published by the Bundesbank suggested significant over-estimation of inflation, so the price level may well be falling today.

Deflation or no deflation, it is as clear as daylight that Europe is well under the 2 per cent inflation ceiling set for the ECB. Even in an economy with very strong growth, such as Spain, inflation is set to stay under 2 *per cent in 1999. Admit it,* crying wolf over inflation is no longer credible.

What are central banks supposed to do then? Leave rates high to ward off an inflationary hiccup? Favour lenders with high real returns? Or pay attention to their public service role and help growth by cutting rates in January? Unfortunately, Maastricht never addressed the subsidiary goals of the ECB. There is no onus on it to cut rates now even with inflation set to stay very low in 1999. However, if the ECB is to merit respect and preserve its independence, it must react as responsibly in *a low inflation* world as in a high inflation world. Crying wolf when the wolf is nowhere near would invite derision, and would ultimately lead to a weakening of the independence of the ECB.

Ciaran O'Hagan,
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4 rue Gaillon,
75002 Paris, France

A commonsense diagnosis of Japan's ills

From Mr Noriaki Kinoshita.

Sir, Eisuke Sakakibara's dismissal (Letters, October 30) of Paul Krugman's diagnosis (October 27) of Japan's economic slump as showing some great vacuum of academic economists' thinking seems to me unduly aggressive. It is a matter of common sense, not of the universal validity of orthodox economic analysis, that the current banking crisis is mainly a result of mismanagement of leading Japanese banks and of failure in supervision, and that much more is necessary than simply injecting public *money* in their balance sheets.

In fact, the prediction and policy prescription by professional economists are based not on universal truth, which Mr Sakakibara believes they are claiming, but on conditional statements derived from plausible assumption and logical analysis.

True, confidence among both Japanese and international communities in the Japanese people's ability to handle the crisis is what is badly needed. But we can *only achieve it* when the economic and social system is redesigned so that those who are honest and diligent are rewarded with decent living conditions and are protected from the punishment from pure misfortune.

Noriaki Kinoshita,
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Japan

Dispense with the vaudeville

From Mr Francesco Ceccato.

Sir, Although I enjoyed your article on Antonio Fazio and the current dilemma of Italian economic policy ("Hawk among the doves", November 10), your comment fails to note that Massimo D'Alema's *concertazione* proposals requiring employers to reduce profit margins are insane in a country where the corporate tax rate is a hefty 53 per cent. How on earth is an Italian entrepreneur to earn a decent return *on capital*? How is Italy to attract equity investment and reduce "crowding out" by the public sector?

The true cause of this absurd state of affairs is, of course, the political system. It is simply not admissible to have farcical, vaudeville governments with average lives of less than a year; no wonder politicians end up acting in a populist fashion and not grasping the nettle of pensions reform. Before there can be any serious talk of "structural adjustments", what Italy really needs is a first-past-the-post voting law to empower a true majority and dispense with feeble coalitions once and for all.

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FINANCIAL TIMES

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Thursday November 12 1998

Aid for Nissan

Nissan Motor, the troubled Japanese carmaker, reflects in microcosm all the ills of the world's second-largest economy. At home it is a victim of the deflationary climate, suffering from falling vehicle demand and debilitating overcapacity. In the US its competitive position appears weak. Excessive discounting resulted in heavy losses there last year.

Exports no longer provide an easy escape from problems at home, partly because of the problems of Asia, but also because Nissan, unlike Toyota and Honda, has failed adequately to enhance its product line. As a result the world's fifth-largest car company racked up accumulated group losses over the past six financial years of Y334bn ($2.8bn). It is expected to lose money again this year. The balance sheet, meantime, is weighed down by net debt Y3,444bn, or 269 per cent of the equity capital.

Yet despite this litany of woe, Nissan has retrenched only marginally. Between 1993 and 1998 the workforce was cut from 144,000 to just 137,000. Those same workers continued to churn out vehicles despite the saturated state of the market, while the company continued to invest to the extent that its finances permitted. In short, Nissan, like so much of the wider Japanese system, has no conception of how to adjust to low economic growth.

So, too, with the Fuyo *keiretsu* industrial grouping of which Nissan forms a part. Its lead banks recently contributed to a Y500bn credit for the troubled vehicle maker. Yet they are too weak to perform a protracted rescue role. The Japanese system of cross-shareholdings also means that the weakness of the banks' share prices has inflicted further losses on other *keiretsu* members. So Nissan is considering asking the government's Japan Development Bank for a Y100bn loan to help its stretched affiliates.

The sensible outcome would be for the government to refuse assistance and promote a rapid consolidation in the industry. This will not happen because the social consequences, in a country with such a modest welfare safety net, would be dire. Just as important, the resulting unemployment would exacerbate Japan's crisis of collapsing confidence and deficient demand.

Yet a rescue would exacerbate overcapacity both in Japan and across the world, replicating in the car industry what has already happened in banking. How long and how far into loss must Japanese industry be driven before the country confronts its structural problems? The readiness of the US and Europe to refrain from a protectionist response will clearly be tested to the limit. This is a depressing prospect indeed.

Rosy view

The Bank of England has done Gordon Brown proud. This is not because it has repeated the chancellor's forecasts. Both its mandate and approach preclude that. But, as Mervyn King, the Bank's deputy governor for monetary policy, said yesterday, the two forecasts are at least "broadly in the same territory". Indeed they are – and rightly so.

Much the Bank's most important contribution to debate has been its emphasis on forecasting uncertainty. The "fan charts" it uses are annoyingly imprecise to those accustomed to fraudulent accuracy. But it is this very lack of precision that makes them truthful. Given this uncertainty, what matters most is responding swiftly and with determination to events, as the Bank has done with the two cuts in interest rates since the last inflation report.

Those cuts were a reaction to news since last August. As it has to, the Bank believes the most likely outcome for inflation two years hence is to hit the target, at current interest rates. To achieve this, the most likely low point for 12-month economic growth is, says the Bank, around 1 per cent. But there is also a one in four chance of a recession.

Is this story plausible? And can the Bank make something like this happen?

The answer to the first question is yes. One of the reasons for the gloom evident in confidence surveys and press commentary is that people have forgotten (or are too young to remember) what a normal cycle is like. Since 1948, the UK has suffered just three prolonged periods of negative 12-month growth: in 1974-75, 1980-81 and again in 1990-92. All resulted from inflationary overheating. Between 1958 and 1974, there was not one quarter of negative 12-month growth. That is what should happen with stable and low inflation.

The answer to the second question is again yes, but only up to a point. Because inflation is low and likely to remain so, the Bank is able to lower rates sharply, should it be necessary to do so. Such action could come too late to halt recession. But there is no reason to expect the monetary policy committee's reaction to any threatened undershoot of the inflation target to be weak. If that risk were to materialise, it could readily promote a still stronger recovery, by cutting rates.

The most important question then is not what happens over the next year, particularly since it is probably too late to alter the outcome. The fundamental issue is, instead, how high unemployment needs to remain to stabilise inflation. The best reason for optimism is that the labour market is working quite well. The government must ensure it continues to do so.

Mugabe's folly

The writing is on the wall for President Robert Mugabe. The success of yesterday's one-day strike called by Zimbabwe's trade union movement represents far more than a protest against the recent increase in the price of fuel. It is a symptom of growing opposition to an increasingly corrupt administration under an unpopular president, responsible for what may prove to be his greatest folly: the country's costly military intervention in the Congo conflict.

Zimbabwe's crisis has been a long time in the making, for Mr Mugabe has always been an autocrat at heart, and a reluctant convert from a state-run economy to market-driven reform. But the first stage in the current decline came 15 months ago, when he agreed to pay veterans of the guerrilla war for independence compensation that the country could not afford.

This was followed by the listing of nearly 1,500 privately owned farms for compulsory acquisition by the state as part of the stalled land reform programme. However strong the case for land redistribution, this was not the way to do it.

The recent budget provides further evidence that Mr Mugabe continues to pursue policies he cannot pay for. The combination of tax cuts and a weak economy should have forced the government to cut spending.

Instead the budget assumes that revenue will grow sufficiently to allow increased spending and a fall in the deficit from the forecast 6.5 per cent of gross domestic product to 6 per cent next year. Like many previous budgets, this one is an exercise in wishful thinking. In particular, it takes no account of the cost of the Congo, where Mr Mugabe has sent up to 10,000 troops.

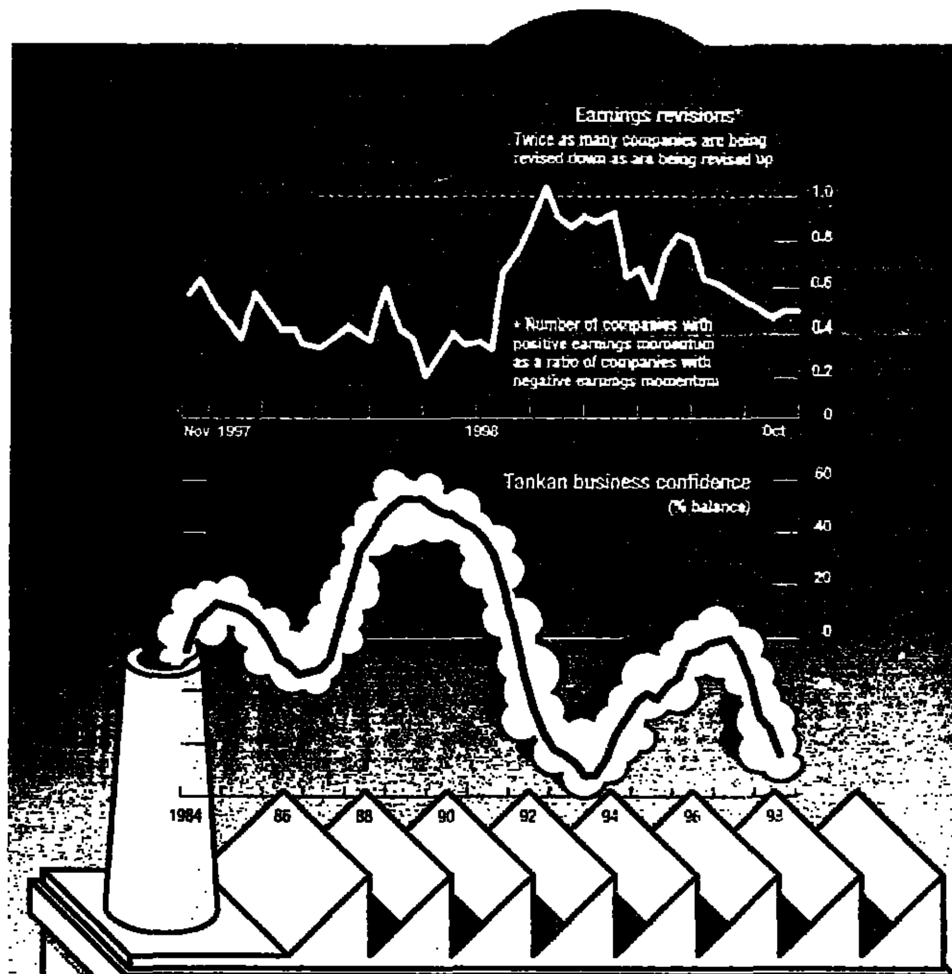
For most Zimbabweans, who have seen average real wages fall by one-third since 1990 and their currency collapse from Z$21 to more than Z$60 to the US dollar over the past year, this intervention is the last straw.

Donors and lenders should be in no doubt about how to respond. As the World Bank report this week said, aid is ineffective if the policy environment is wrong, and the Bank should put this principle into practice.

In a country where there is no meaningful opposition, where the state controls the bulk of the media, and where the business community is ineffectual, there is no guarantee that President Mugabe, now 74, will respond to the pressure. But if Mr Mugabe, who 20 years ago presided over Zimbabwe's remarkable transition from war to majority rule, wants to be remembered for the way he assumed office, rather than last-ditch attempts to cling to power, he should start preparing for his successor.

Death of a salaryman?

Alexandra Harney and **Paul Abrahams** ask if Japan's corporate crisis will break the taboo on redundancies



Performance of manufacturing sectors in 1998

Year on year growth estimates

1998 financial year*	Sales (%) 1st half	Sales (%) 2nd half	Operating profit (%) 1st half	Operating profit (%) 2nd half	Pre-tax profits (%)** 1st half	Pre-tax profits (%)** 2nd half
Textiles	-5.2	-0.7	-25.8	8.4	-20.6	2.6
Paper	-7.8	-1.4	-49.6	-8.5	-56.5	-24.2
Chemicals	-4.2	-1.0	-17.7	8.2	-18.6	4.2
Steel	-10.6	-4.4	-52.0	-38.1	-121.7	-50.5
Machinery	-5.4	-0.7	-22.1	-4.5	-23.3	-5.2
Electric machinery	-6.9	1.9	-55.4	0.3	-47.9	-2.9
Transport equipment	-9.1	1.0	-40.1	28.6	-36.4	24.4
Manufacturing	-6.1	-0.1	-31.5	5.6	-30.4	3.5

* Financial year ending March 31 1999 ** Excluding exceptionals

Sources: Warburg Dillon Read; Datastream/ICV Dresdner Kleinwort Benson Research

Graphic by Chris Walker

The pain inflicted by Japan's longest postwar recession is no longer confined to the financial system. It has spread to the heart of Japan's industrial complex, afflicting the country's once-vaunted manufacturers. In the past few weeks, company after company has announced swingeing first-half profits warnings or deeply disappointing results. Some of the country's best-known and biggest groups – NEC, Toshiba, Hitachi – have sunk into loss for the first time in 50 years. All the big five steel companies, except Nippon Steel, are in the red. Nissan, the country's second-largest automotive group, is on course to post its sixth net loss in seven years; the Japan Development Bank (a quasi-government institution) is proposing to lend it up to Y100bn (£493m) to ease its problems.

The question is whether the anguish will continue, and if it does, how long Japan's largest companies can endure without radical restructuring or large scale redundancies. Such job cuts could threaten the fabric of Japan. It could rend the social contract between corporate Japan and its employees, ending lifetime employment, a process that could have a devastating effect on consumer confidence and the economy.

The scale of the economic crisis enveloping Japan's big companies is immense. The domestic economy has already contracted three consecutive quarters and is expected to shrink yet another quarter, making the downturn the longest since the postwar recovery. The private sector (more than 60 per cent of the economy) continues to collapse. Only exports are expanding, but they are threatened by the yen's recent strength.

Such a gloomy macro-economic environment would be tough on Japanese companies at any point. But they are also having to weather a battering from numerous other sources. The collapse in the stock market has been highly damaging for profits and balance sheets. Many companies have cross-shareholdings in banks and other industrial companies and have suffered huge securities losses on them. Nissan for example suffered a Y76bn loss on its equities portfolio in the first half.

Worse, from 2000, almost all Japan's companies must confront the massive underfunding of their pension schemes. These have consistently failed to generate the return necessary to meet their obligations. This would have to be about 5.5 per cent. In practice it is nothing like that, so much larger assets are needed. Goldman Sachs estimates that underfunding of pensions at all companies in the main section of the Tokyo Stock Exchange could conservatively be Y57,000bn and pessimistically could reach Y80,000bn. Such a shortfall would have to be financed from profits. But there are not enough. Dresdner Kleinwort Benson forecasts that this year's combined net profits at all non-financial companies in the main section of the Tokyo market will be just Y4,000bn.

The final blow for Japan's manufacturers has been the end of their biggest source of global competitive advantage – the low cost of capital. Despite unprecedentedly low interest rates, sources of capital are drying up. For most companies, raising equity is out of the question because of tottering share prices. The bond market is increasingly demanding exorbitant premiums for all but the most stable groups. As for the banks, they are facing their own crisis, and are increasingly unwilling to lend. Last month, net lending by Japan's biggest banks actually fell year-on-year by 3 per cent. The result is a liquidity squeeze that is laying bare the poor economic return of much Japanese industrial investment.

The collapse in profitability and the credit squeeze has hit small and medium-sized organisations hardest – the very businesses that in other countries have generated all the employment growth during the 1990s. In contrast, although bankruptcies may be at record levels, so far the biggest Japanese companies have been able to avoid insolvency and mass redundancies.

But the big companies may not be able to avoid confronting their predicament much longer. The profits warnings during the past month have been relentless. Salomon Smith Barney, which in June was predicting an overall 11 per cent growth in pre-tax profits this year, now expects a 22 per cent decline.

Until recently there have been few signs that Japanese groups have been willing to respond to the crisis through restructuring. True, Nissan sold its Tokyo headquarters. A number of companies have cut managers' salaries. Some truck companies have sent home workers for extended "study holidays" on reduced pay. Some have even been willing to lay off staff - overseas. Fujitsu closed its semiconductor plant in the UK; Mitsubishi Motors is cutting employees in Thailand and North America.

But domestically, Japanese groups have responded to the unprecedented downturn with traditional remedies for trimming salary costs. "The Japanese labour market is flexible and inflexible," says Taizo Nishimuro, chief executive of Toshiba, the electronics group. "Flexible because you can cut bonuses and overtime, and reduce the number of temporary employees. Inflexible, because there's traditionally been nothing you can do with male, unionised full-time workers."

'Japanese companies put their employees first, and shareholders last'

"There has been no real domestic restructuring," agrees Koichi Hori, president of Boston Consulting Group in Japan. "Cuts in parent company numbers may be announced, but it only involves pushing people into subsidiaries, halting graduate recruitment, and providing early retirement packages. We've had seven years since the crash in 1991, and we've had seven years of inaction."

Although no companies have been willing to make forced redundancies, a few have been willing to take the step – radical for a Japanese company – of disposing of lossmaking businesses. They have been willing to restructure their business portfolios.

Nippon Steel, for example, took a deep breath and acknowledged this year that there were no synergies between steel and semiconductor manufacturing: it sold its chip business to Taiwanese interests. Kao, a cosmetic company best-known for its adhesive nose strips, decided to end floppy disk production. The most impressive declaration has come from Toshiba's Mr Nishimuro who said 30 per cent of the company's portfolio would face changes in the coming years.

As with other aspects of restructuring, though, change has been patchy, not widespread. None of the big five integrated electronics groups, for example, has announced plans to leave the memory chip business, despite huge losses. And even if change had been greater, the extent to which portfolio reshuffling will actually reduce costs is modest compared with the problems – and possible savings – in other areas of corporate life.

In particular, Japanese companies continue to be unwilling to address one of their biggest costs, namely salaried staff. Indeed, they will do almost anything to protect unionised full-time employees.

The inability of Japanese management to confront over-staffing is in part a reflection of Japanese law and corporate culture. Companies are extremely reluctant to fire workers partly because severance pay is unusually high. Although unions are still relatively weak, relations between management and employees organisations are close. ANA, the second-largest airline with some of the highest pilot salaries in the world, has been in negotiations with its pilots union for years over a proposed salary cut.

In addition, government intervention provides a substantial barrier to redundancies. The ministry of labour is paying some manufacturing companies a portion of their wage bill – most recently to the truck makers – to prevent a big drop in incomes.

Japan's shareholder culture also plays a role. "Japanese companies have existed first for their employees, then the pensioners, third for business partners – suppliers and dealers, fourth for the main bank and fifth for the shareholders. That explains their reluctance to cut staff," says Mr Hori at Boston Consulting Group.

Jeffrey Young, economist at Salomon Smith Barney in Tokyo, explains: "What happens in the US and Europe is that when a firm loses money, the management is voted out by their shareholders. The incentive is very strong to rationalise the use of funds. But in Japan's case, if a company is not doing well, they just go to the bank and the government ... they hope a combination of macroeconomic stimulus and new funding will restore profitability."

That is how it used to be. But with most private forecasters predicting continued negative growth next year, Japanese manufacturers' profits are unlikely to be boosted by economic growth anytime soon. So, faced with falling sales, collapsing profits and suffocating debts, Japanese managers may finally be forced to make some hard choices about sacking workers.

The problem is that while such moves might be good for Japan's companies they could prove damaging for the Japanese economy. Japan's unemployment benefit system is poorly developed, making it extremely difficult to survive on the dole. Unemployment is already at an all-time high of 4.3 per cent. And many fear that a further sharp increase in the number of jobless could have a damaging effect on consumer confidence.

All the same, change may be inevitable. Rather than subsidising employees in unproductive activities, the government recognises that it must provide workers with retraining, though so far such programmes, commonplace in the US and Europe, are non-existent. The biggest change may need to come from the workers themselves.

"Japanese people all have the idea that changing jobs is shameful," says Minoru Makihara, chairman of Mitsubishi Corporation, the trading company. "We have to change that." Change may well be forced upon them.

OBSERVER

Oskar night in Brussels?

What to make of the latest rumour sweeping the Hugo Boss-suited salons of Bonn? Extraordinary as it may seem, Oskar Lafontaine, Germany's Bundesbank-baiting new finance minister, is being touted as just the man to succeed Jacques Santer as the biggest cheese at the European Commission.

Reports that the French government has already been sounded out on the idea of a German candidate are wide of the mark, say Bonn officials. And a decision to field Lafontaine would come from left field: the European Union's southern states are in line for crack at the top job in Brussels when Santer's term finishes at the end of next year. While Lafontaine has solid left-leaning credentials – essential in the new Europe – former Italian prime ministers Romano Prodi or Giuliano Amato would be far more logical choices.

That said, Lafontaine's early departure for Brussels would arguably make life easier in some quarters. You don't have to have a finger on the pulse of German politics to notice that Chancellor Gerhard Schröder's debut has been overshadowed by the outspokenness of his waistcoat-wearing finance minister.

There's no suggestion that Schröder's inner circle are behind this week's idle speculation. But you have to wonder what they make of it all over at the finance ministry.

Shrimp surprise

Sticky moments as Kuala Lumpur rolls out the red carpet for the Asia-Pacific Economic Co-operation forum. Movers and shakers from across the region are jetting in this week and next to compare notes. Even Bill Clinton is taking time out to sample the seafood ravioli at Monday night's gala dinner.

Let's hope the Chinese and Taiwanese delegations are seated on opposite sides of the banqueting suite. Quite apart from the usual needle, the Apec organisers are doing a fine job keeping relations at boiling point. The official media handbook for the event lists China's leader not as President Jiang Zemin but as Chiang Pin-kung – who just happens to be Taiwan's top economic planner. Should add some spice to the menu.

Turtle neck

Shinji Sugimoto and Mikako Segami may not see much of each other in their first years of marriage. The Japanese couple, who tied the knot in Brisbane a couple of weeks ago, were found by Australian customs officials to be taking home a slithering selection of momentos.

Close inspection of the newlyweds' hand luggage revealed three oblong turtles, four shingle-back lizards, two other lizards, a gecko and a thorny mountain devil. All carefully packed in plastic containers and with an estimated market value of A$30,000.

Things went from bad to worse when the thorny mountain devil passed away after the young lovers were arrested – the result of being treated like a bottle of duty-free saki. Could mean 10 cold-blooded years in captivity.

Schiphol slope

Into the political thicket surrounding Amsterdam's Schiphol airport plunges new Dutch transport minister Tineke Netelenbos, whose name means bunch of nettles. Europe's fourth busiest passenger hub is in breach of legal noise limits, she says, and will have to refuse flights on nights when the wind blows the wrong way.

Frequent flyers already know not to rely on early-bird flights into Schiphol to get them to their morning meetings: now even setting off the night before provides no guarantee. The airport will have to close whenever stiff westerlies are blowing at night – a regular feature of the chilly Dutch winter. And because decibels are totted up on an annual basis, the measures will be in force for the rest of this year.

Not only jet-set executives will feel the pinch. Sir Michael Bishop, chairman of British Midland, says noise constraints have turned Schiphol airport "from one of the best in Europe into one of the worst". John Dasburg of Northwest Airlines warns that the problems are putting his alliance with flag carrier KLM under strain.

The airport needs a fifth runway, but that is some years away. Even further off is a proposed new site, maybe in the North Sea, now being chewed over by the Dutch cabinet. Meanwhile the noise restrictions sting passengers, airlines, and Schiphol's privatisation prospects. Time for Tineke to grasp the nettle?

Jumpy

A colleague of Observer's was politely but firmly refused entry to an exclusive club this week for not wearing a tie. Which brings to mind the story of another casually dressed gentleman who attempted to enter an equally prim and proper club only to find his way barred by the porter.

On being told he had to wear a neck-tie, the visitor returned to his car, extracted the jump leads from the trunk and returned to confront the burly gatekeeper. "What's that?" inquired the doorman. "A tie," came the reply. To which the flunkey replied: "Alright, you can come in. But don't start anything."

The Financial Times

100 years ago

German Bank Rate Rises
Berlin, 11th Nov. The German Imperial Reichsbank, as anticipated by the Bourse, to-day raised the Bank Rate to 5½ per cent. This decision was arrived at at a meeting of the Central Committee of the Bank, presided over by Dr. Koch, the Governor, which lasted a considerable time longer than such meetings usually do. Dr. Koch explained that, already at the last quarter, the claims on the Bank were larger that at any like period during recent years, and since then great issues have been coming almost daily on the market.

50 years ago

"New Deal" Programme
Washington, Nov. 11. "New Deal" enthusiasts remaining from the days of President Roosevelt have a new birth of enthusiasm and are working hard to develop and urge upon President Truman the major elements of a legislative programme which they hope Congress will rapidly approve in something like a repetition of President Roosevelt's first 100 days. This group believes that the time is ripe for a definite "New Deal" programme to be pushed through Congress.

FINANCIAL TIMES
THURSDAY NOVEMBER 12 1998

THE LEX COLUMN

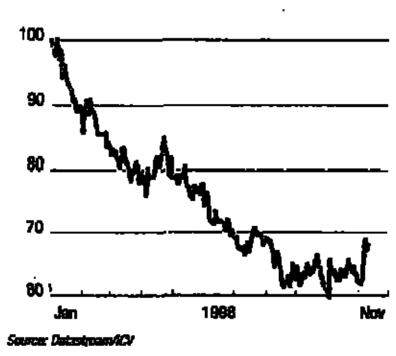
Slippery banks

Investors have so despaired of German banks that even mediocre results can prove uplifting. Fair enough, perhaps. The third quarter was horrible for all banks with substantial emerging markets business. Dresdner turned in an operating loss and Deutsche Bank maintained its large presence in the banana skin market. Compared with these two, Commerzbank did well to avoid slipping up on Long-Term Capital Management and Russian GKOs. That aside, however, its nine-month results actually make quite grim reading.

Most important, Commerzbank's cost base is growing at an unhealthy pace. A near 15 per cent rise in operating expenses has taken the bank's cost/income ratio before provisioning to 63 per cent from 56 per cent last year. With international investment banking costs rising 62 per cent, its decision to develop the business organically will soon look foolish unless revenues start to pick up fast. In current markets, that is unlikely. In fact, aside from a decent(ish) 13 per cent growth in commission income, Commerzbank's revenue streams were lacklustre. Trading income fell 19 per cent and, worryingly, net interest income was down nearly 4 per cent.

Had it not been for the tax-free sale of stakes in Credit Suisse and Banca Commerciale Italiana, post-tax profits would have shown a sizeable fall. While by no means the worst value among German banks, Commerzbank remains cheap for good reason.

Commerzbank
Share price relative to the Dax index



Source: Datastream/ICV

Intel

A bullish trading statement from Intel is a pleasant surprise. Over the past 18 months the semiconductor maker had specialised in profit warnings. The reversal in fortunes reflects a seasonal upturn ahead of Christmas and recovery from the severe inventory correction that blighted the whole industry's first half. But the fact that Intel is seeing strong demand in all geographical areas again, and from both consumers and corporates, suggests that the chip industry is finally through the worst.

Indeed, the effects of the Asian crisis, which initially slaughtered demand, are now turning positive for western semiconductor manufacturers: input costs have fallen, some Asian competitors have been knocked out or reduced capacity, while others are pricing more sensibly. The iron test is that prices for D-Ram chips, that most suicidal of markets, are starting to edge up. This should certainly help Siemens' planned spin-off of its semiconductor operations. And more broadly, Intel's renewed strength reflects improving demand for personal computers, home for almost all its chips.

Like any self-respecting cyclical sector, share prices will now overshoot. Intel, IBM and Dell are all already at new highs. For the next few months, momentum will remain in their favour. But as the millennium approaches, technology spending could start to falter. Investors must then be prepared for a rapid retreat.

Nuclear energy

They may be dirty words in Germany right now, but nuclear energy is clean, alive and kicking in the UK. So clean in fact that at least one minister refers to nuclear and renewable energy in the same breath. After all, nuclear is key to meeting targets for reducing greenhouse gas emissions. So is nuclear a go-go industry? No. Germany's recent decision to phase out nuclear-powered electricity generation will cause a rumpus if it is abrupt. But the trend is shared by most industrial nations. Only a handful, such as France and Japan, are planning new plants. The UK may, in a decade or two, join them. But British Energy, the UK nuclear generator, is not counting on it. The company may invest further in US nuclear stations, but the sums are modest and the investment horizon fairly short.

British Energy wants to spend its strong cashflows buying into electricity companies. Electricity distribution would provide it with cashflows partly to match decommissioning liabilities, and a longer-term investment proposition. Moreover, if power shifts towards the electricity retailers, owning that part of the chain has some value.

British Energy's record is good. It is managing plant shutdowns more efficiently and reducing costs, although it is also the beneficiary of market distortions which have kept wholesale electricity prices high. Management's next challenge will be to resist overpaying for its target.

UK inflation report

Spare a thought for the Bank of England's monetary policy committee. First, it loses its compass: the average earnings data, a crucial indicator of inflation, have fallen into disrepute. Then the weather turns nasty, with financial market turbulence delivering a fearful buffeting to the global economy. No wonder the MPC is left bewailing the "considerable uncertainty about the future path of inflation".

Still, the Bank in its latest inflation report has avoided lunging for the panic button. Growth is expected to slow sharply next year, but recession is not expected. Inflation is forecast to hit the 2½ per cent target in two years. Is this all too good to be true? Gloomsters will worry about depressed survey data and blood-curdling news from the High Street. But the Bank is right to be cautious. After all, the projected slowdown is based upon the fallout from financial market panic, with knock-on effects for business and consumer confidence. Yet with the panic clearly past, who is to say confidence will not recover?

There are two main risks. One is a market relapse, which would further damage growth and confidence. The other is that the British consumer has a stingy Christmas. In either case the Bank will surely cut rates sharply – something it has shown itself willing to do. More likely, subdued inflation prospects will allow rates to ease lower, but at a more leisurely pace.

TOKYO INTERVENES IN EFFORT TO STAVE OFF CORPORATE CREDIT SQUEEZE

Japanese government plans to lend Nissan up to $850m

By Alexandra Harney and Gillian Tett in Tokyo

The Japanese government is proposing to lend up to Y100bn ($850m) to Nissan Motor, Japan's second largest car manufacturer.

The move highlights the degree to which the government is intervening in the country's financial system to stave off a corporate credit squeeze.

The loan would be provided by the Japan Development Bank, the government-sponsored institution that was most active in the early post-war period helping to finance young companies. It would be one of the largest loans the JDB has made to a single company, and far higher than the Y5.5bn worth of long-term loans it had outstanding to Nissan as of March 1998.

Nissan refused to comment on the size or manner of the additional funding yesterday but indicated it would be an extension of an existing credit line.

The loan comes amid signs that Nissan and its affiliates are facing mounting problems raising funds from commercial sources. Earlier this week Nissan, a key member of the Fuyo *keiretsu*, or corporate family, warned it would post a Y10bn loss in its year to March 31, 1999, on an unconsolidated basis.

The credit squeeze at companies such as Nissan has arisen partly because Japanese banks are reducing lending in an attempt to meet international capital adequacy standards. The Bank of Japan said the balance of outstanding lending by banks in October was 3.3 per cent lower than a year earlier.

Growing investor concern about the strength of some corporate groups has worsened their funding problems. Nissan, for example, had Y3,900bn liabilities at its last March year end, leaving its gearing at 304 per cent. The group said earlier this week that it wanted to reduce its consolidated debt by Y1,000bn and expenses by Y400bn by 2001. Two weeks ago, it took out a Y500bn credit line with about 10 Japanese banks in response to what a spokesman then decribed as an "extremely tight financial situation." Government officials said the new JDB loan would probably total up to Y100bn.

The government is encouraging the JDB, which has Y16,284bn in loans outstanding, to expand its lending sharply to counter the credit squeeze. In particular, it is drawing up plans for the bank to start making loans to companies with bonds that mature next year, using funds from the Fiscal Investment and Loan Programme, another government body. Kaoru Yosano, trade minister, said: "We want to prepare more than Y5,000bn worth in FILP funds for that purpose."

The Bank of Japan has also been expanding temporary purchases of short-term corporate instruments, such as commercial paper, to provide more funds to the corporate sector.

Government officials have hinted this week that the Ministry of Finance is also helping Japanese banks avert dollar funding pressures.

Editorial Comment, Page 15
Death of a salaryman? Page 15

One of Mexico's most-wanted fugitives arrested in Australia

By Henry Tricks in Mexico City

A former billionaire banker and one of Mexico's most-wanted fugitives, has been arrested in Australia where he was living in the guise of an Italian grocer, officials said.

Before fleeing the country in 1994, Carlos Cabal Peniche, a brash young planter from the eastern state of Tabasco, built a giant business empire from scratch by acquiring two Mexican banks from the government, Cremi and Unión, and the Del Monte Fresh Produce Company, in its time Mexico's largest agro-business.

But he allegedly financed the businesses by peddling loans to himself. His empire collapsed in 1994 when the government seized the two banks and accused Mr Cabal of stealing $700m.

His capture, after a four-year manhunt spanning at least three continents, is timely for the Mexican government. It is eager to dispel opposition allegations that it has been soft on white-collar crime following its controversial bail-out of the banking system since 1994. The government netted $12.4bn from its privatisation of 18 banks in 1991 and 1992, and pledged $60bn to bail them out, partly as the cost for bad banking practices before and after Mexico's 1994 peso devaluation.

Mexican authorities said yesterday they would demand the return of Mr Cabal within 60 days, making use of an extradition treaty with Australia. His lawyers in Mexico said it was not clear whether he would fight extradition.

White-collar crime is not considered a serious offence under Mexican law and alleged perpetrators are allowed bail.

Mr Cabal was arrested early yesterday at his beachside mansion in Brighton, a wealthy Melbourne neighbourhood. Mexico's attorney general office said he had entered Australia with his wife and four children using false passports issued in the Dominican Republic. It said that in Australia, Carlos Cabal had passed as a merchant of wines, cheeses and Italian olive oil.

In Mexico, Mr Cabal faces 10 charges, including fraud. In a similar case, ex-banker Angel Rodriguez was extradited from Spain to Mexico this year on fraud and embezzlement charges and immediately obtained an injunction against arrest.

The return of Mr Cabal could play into opposition hands. Politicians from the left-wing Party of the Democratic Revolution have said he financed electoral campaigns for prominent members of the ruling Institutional Revolutionary Party (PRI). Mr Cabal's downfall is an embarrassment for Mexico's ruling elite. Carlos Salinas, former president of Mexico, had once described him as a model businessman and the investor syndicate behind his acquisitions included several PRI state governors.

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Protesters demonstrating against the Chilean government's stance over moves to extradite former president Augusto Pinochet. Reports, Page 7

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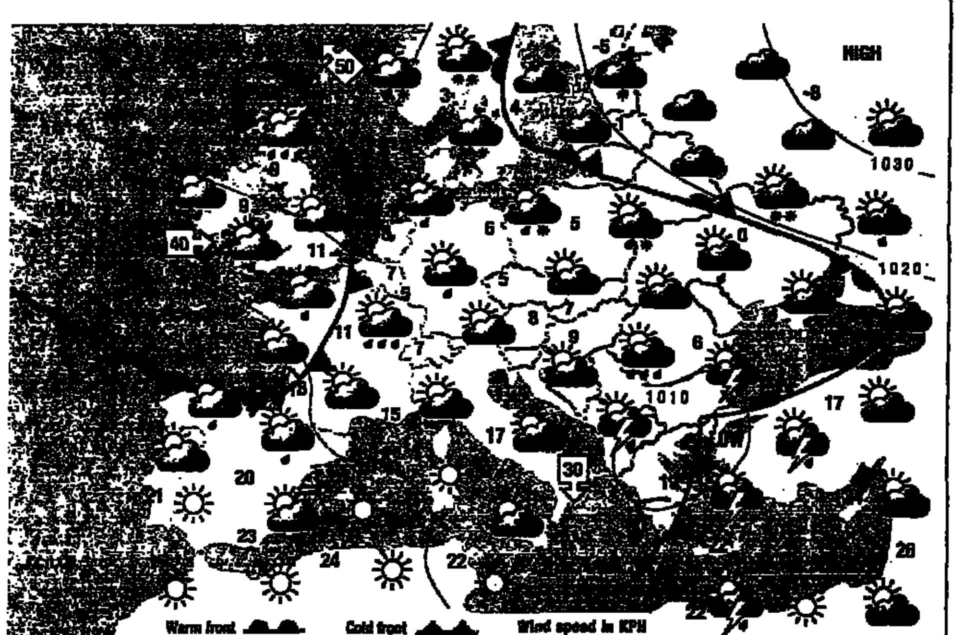
FT WEATHER GUIDE

Europe today

North-west Russia and eastern Scandinavia will be dry but very cold. The rest of Scandinavia and much of eastern Europe north of the Black Sea will be chilly but more cloudy, with sleet and snow. From the western Mediterranean to the Alps and central Europe — after early mist and fog clears — it will be fine and sunny as a ridge of high pressure moves in. A frontal system over western Europe will bring rain followed by sunshine and showers.

Five-day forecast

The eastern Mediterranean will be unsettled, with heavy rain and thundery showers until early next week. North-eastern Europe and parts of central Europe will continue cold with sleet and snow. Central and western parts of the Mediterranean will become increasingly unsettled by the end of the weekend.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	30
Accra	Thunder	32
Algiers	Fair	24
Amsterdam	Rain	8
Athens	Thunder	19
Atlanta	Fair	18
B. Aires	Shower	18
B.ham	Fair	10
Bangkok	Fair	32
Barcelona	Fair	19
Beijing	Sun	14
Belfast	Shower	9
Belgrade	Fair	10
Berlin	Cloudy	6
Bermuda	Fair	26
Bogota	Fair	20
Bombay	Sun	34
Brussels	Rain	7
Budapest	Fair	9
C.hagen	Shower	7
Cairo	Fair	25
Caracas	Fair	30
Cardiff	Fair	10
Casablanca	Sun	23
Chicago	Fair	9
Cologne	Shower	8
Dakar	Sun	32
Dallas	Rain	20
Delhi	Sun	29
Dubai	Sun	31
Dublin	Shower	9
Dubrovnik	Fair	16
Edinburgh	Shower	10
Faro	Fair	23
Frankfurt	Shower	7
Geneva	Fair	7
Gibraltar	Fair	24
Glasgow	Shower	9
Hamburg	Cloudy	7
Helsinki	Snow	-5
Hong Kong	Fair	25
Honolulu	Shower	29
Istanbul	Shower	16
Jakarta	Thunder	32
Jersey	Cloudy	11
Johannesburg	Fair	27
Karachi	Sun	33
Kuwait	Sun	27
L. Angeles	Sun	24
Las Palmas	Fair	27
Lima	Fair	21
Lisbon	Fair	21
London	Fair	11
Lux.bourg	Shower	5
Lyon	Fair	10
Madeira	Fair	23
Madrid	Fair	20
Majorca	Fair	22
Malta	Fair	20
Manchester	Shower	10
Manila	Thunder	29
Melbourne	Fair	19
Mexico City	Fair	24
Miami	Fair	29
Milan	Fair	13
Montreal	Fair	8
Moscow	Fair	-8
Munich	Shower	7
Nairobi	Fair	26
Naples	Fair	17
Nassau	Fair	28
New York	Fair	13
Nice	Sun	15
Nicosia	Fair	24
Oslo	Sleet	3
Paris	Shower	11
Perth	Fair	33
Prague	Shower	7
Rangoon	Fair	33
Reykjavik	Fair	4
Rio	Thunder	25
Rome	Fair	17
S. Frsco	Sun	19
Seoul	Sun	12
Singapore	Shower	31
Stockholm	Cloudy	4
Strasbourg	Fair	7
Sydney	Shower	29
Tangier	Fair	23
Tel Aviv	Fair	26
Tokyo	Fair	17
Toronto	Fair	10
Vancouver	Rain	9
Venice	Fair	12
Vienna	Fair	8
Warsaw	Sleet	5
Washington	Fair	15
Wellington	Fair	17
Winnipeg	Sun	-3
Zurich	Fair	7

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FINANCIAL TIMES
COMPANIES & MARKETS

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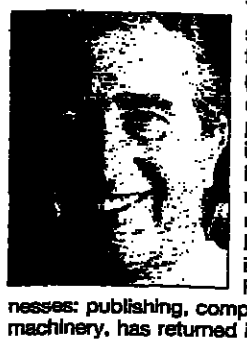
INSIDE

Italy's Cir returns to family value



There is, it would seem, life after Olivetti for Carlo De Benedetti (left) and his family-controlled holding company, Cir. After divesting a large stake in the Italian information technology and telecommunications group, Cir has reverted to its family company origins. Focusing on three businesses: publishing, components and industrial machinery, has returned it to profit. Page 24

UK stock market rally may be over

The rally in the UK stock market, which saw the FTSE 100 index gain almost 1,000 points in a month before the burst of profit-taking last week, took many analysts by surprise. Many traders believe it owed much to a "bear squeeze" in which investors that were short of stock have tried to close out their positions, forcing share prices higher. Such a technical rebound cannot last forever. Page 36

Singapore and HK clash over futures

It may be intangible, derivative and not even unique, but wars have started over less. And with long-standing rivalry fanning the flames, Singapore and Hong Kong's argument over a futures contract to be launched this month has swiftly reached boiling point. The ultimate prize at stake is the mantle of premier financial centre in the Asian time zone. Page 30

The euro's impact on car prices

The euro will inject an important element into one of Europe's biggest price controversies – that it costs far more to buy a similar car in some countries than others. Volkswagen, Europe's biggest carmaker, says prices will converge – though not immediately, and not completely, as taxes and transport costs will maintain some differentials. Business and the euro, Page 29

KSB seeks international expansion

KSB, the German group that is Europe's second biggest maker of pumps, is intent on international expansion, especially in the US where it is week, and has DM800m ($482m) to spend on acquisitions. The main reason is the excessive cost of doing business in Germany: other big manufacturers are already seeking cheaper locations abroad. Page 20

Little cheer for Pakistani rice exports

Pakistan's rice exporters have become increasingly cautious about getting large export orders in spite of a bumper harvest. Page 32

COMPANIES IN THIS ISSUE

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MARKET STATISTICS

Hicks Muse reviews books deal

Fund seeks to renegotiate price of Simon & Schuster arm

By William Lewis in New York and John Gapper in London

Hicks, Muse, Tate & Furst, the private equity fund, is seeking to reduce the price it has agreed to pay Pearson, the UK media group, for part of Simon & Schuster's specialist publishing arm.

The deal between Hicks Muse and Pearson is part of the UK company's agreement announced in May with Viacom, the US media company, to acquire Simon & Schuster's specialist publishing arm for a total of $4.6bn.

Hicks Muse later agreed to buy the reference and business and professional arms of Simon & Schuster from Pearson, owner of the Financial Times, for $860m. It also reached a deal on distribution worth at least $100m to Pearson.

The Pearson takeover of Simon & Schuster, yet to be cleared by US regulators, is an important part of the new corporate strategy devised by Marjorie Scardino, its chief executive, and any hitch may cause concern.

However, Pearson is thought to be willing to take on Simon & Schuster's reference and professional arms if its deal with Hicks Muse founders. It would then attempt to sell them to another investment fund or trade buyer.

Tom Hicks, chairman and founder of Hicks Muse, said yesterday that its attempt to renegotiate the price it is willing to pay Pearson follows the failure of the business publishing unit to meet projected earnings targets.

He said renegotiation attempts "relate to slippage in the unit's earnings" and it was "in constructive dialogue with Pearson" over a "value that will reflect the actual results as opposed to what had been projected a number of months ago". There has been speculation that difficulties in raising finance might lead to Hicks Muse abandoning the deal but Mr Hicks said in an interview that "difficulties around closing" the transaction were unconnected with financing.

Pearson declined to comment on the statement but people familiar with the transaction said the reluctance of the fund to proceed on the original terms could reflect an increase in the cost of bond financing.

The divisions involved include specialist titles such as Webster's New World Dictionary. They also include a range of computing titles and manuals that may have been affected by the downturn in international economies.

Hicks Muse has signed a legally binding agreement to take on the divisions for $860m, unless their net asset value has fallen by the time the deal proceeds. Net assets would not necessarily be affected by a fall in revenues.

The $860m figure is lower than the $1bn originally expected when Pearson and Hicks Muse first reached agreement. This is because Pearson is to retain Simon & Schuster's business and professional publishing arms in Europe.

Shares in Pearson rose 11p to close at £10.31p.

Volatility of yen leads to concerns over Libor

By Edward Luce in London

Volatility in international yen markets has raised concern over the accuracy of the key "Libor" lending rate used as a worldwide benchmark for transactions in the Japanese currency.

Some international banks are stepping up pressure on the British Bankers Association, which calculates the daily London Inter-Bank Offered Rate in yen and other currencies, to alter the basis on which the yen lending rate is compiled.

The BBA yesterday conceded that distortions had arisen in the yen lending market. "We are seeing unprecedented and bizarre conditions in the yen market at the moment," said Tim Sweeney, director-general of the BBA.

The problem stems from the so-called Japanese premium, the difference between what Japanese banks pay to borrow yen and what their western counterparts pay.

The premium has widened markedly in the last few weeks over fears about the future solvency of the Japanese banking system.

At the same time, the interest rates quoted by western banks such as J.P. Morgan and Barclays Capital have moved below zero on several recent occasions in a reflection of the lack of appetite for exposure to the Japanese currency.

The BBA bases its yen Libor calculation on daily quotes from a panel of eight Japanese banks and eight western banks.

Yesterday's three-month yen Libor rate, for example, was quoted at just 40 basis points.

But some argued that this failed to reflect the true market position, with the eight western banks on the panel quoting rates of between zero and 20 basis points and their eight Japanese counterparts quoting rates of between 60 and 80 basis points.

The top and bottom four rates quoted are automatically excluded from the average.

Speculation has been rife that the BBA planned to eject several Japanese banks from the panel in order to iron out the distortions.

But the BBA refused to be drawn on whether it planned to make any changes to the calculation.

Bonds, Page 30

Citibank plans shift in culture

By John Authers in New York

The Citibank network of retail banks in the US is to undergo a radical shift in culture as part of the attempt to boost cross-selling of financial products at Citigroup, the result of the merger of Citicorp and Travelers Group.

The retail branches will focus on middle market customers and on personal contact with customers rather than concentrating on the internet and other electronic media for sales.

This signals a significant shift in philosophy from the direction the Citibanking network has taken over the past few years under John Reed, Citigroup co-chief executive and former chief executive of Citicorp.

Citigroup's plans for boosting revenues at its consumer businesses were central to the rationale for the merger and are now coming under closer scrutiny after the emergence of problems in integrating its corporate and investment banking operations.

Joseph Plumeri, the head of US direct sales and marketing for Citigroup, said he planned to instill the same culture that had allowed heavy cross-selling at Primerica Financial Services, a division of the former Travelers Group.

"I think people want human advice on their money, just like they want human advice about their body. When it comes to money, people want conversation, and they want advice and they want warmth and sensitivity. There's nothing we've done at Primerica or will do at Citibank that changes my mind."

Citibank's main thrust, by contrast, has been to improve service through technological innovation, emphasising the convenience of electronic banking.

Mr Plumeri started working for Sandy Weill, Citigroup co-chief executive and former head of Travelers, in 1966. At Primerica, his approach has been to build sales around a simple "financial needs analysis", drawn up in meetings between sales representatives and customers. This allowed them to sell several products from different branches of Travelers.

He said: "We made cross-selling part of the corporate culture. We told our employees this was the reason we were in business. We put incentives to cross-sell into the compensation programme."

He intends to import this culture to the Citibank branch network, offering Citibankers the opportunity to sell other products, and provide financial planning. He said: "I'm going to give them the opportunity to offer the financial needs analysis and use it for cross-selling."

Pilot projects have started with Primerica's sales agents in Atlanta and Las Vegas selling Citibank current accounts. Future offerings will probably include student loans.

More ambitiously, he plans to train Citibank branch employees and give incentives to persuade them to offer financial plans.

Primerica, whose only proprietary product is life assurance, was the most successful "cross-selling" vehicle in the former Travelers Group. It accounted for 50 per cent of sales by Travelers' Commercial Credit consumer lending division, and for 61 per cent of US sales of a range of Salomon Smith Barney mutual funds.

Cable and Wireless calls off alliance with Telecom Italia

UK group to unveil its plans for Europe

By Alan Cane in London and James Blitz in Rome

Breaking the connection: C&W chief Richard Brown (left) and chairman Sir Ralph Robins Picture: David Ahmed

The seven-month alliance between Cable and Wireless of the UK and Telecom Italia has been abandoned. It would have led to the creation of the world's second largest carrier of international telecommunications traffic.

Richard Brown, C&W chief executive, said yesterday that the company would next week unveil details of its plans for the European market, but made it clear there would be no role for the Italian company in its strategy.

People close to Telecom Italia said C&W's decision came as no surprise. The deal had depended on a personal understanding between Mr Brown and Gian Mario Rossignolo, Telecom Italia's controversial former president, who resigned three weeks ago after just 10 months in office.

After the departure of Mr Rossignolo most observers thought the alliance had little future. Talks between the two operators, which would have led to co-operation in the provision of services to multinational customers, were suspended. Yesterday a source close to Telecom Italia said: "There is no current substance in the relationship."

The sale of C&W's stake in Bouygues Telecom to Telecom Italia and a group of other investors in the French mobile operator – a transaction designed to underpin the proposed alliance – is expected to be concluded.

It is doubtful whether the breakdown of the relationship will have an immediate effect on Telecom Italia. The company is in disarray after Mr Rossignolo's resignation and has yet to formulate a new international strategy. A chief executive is expected to be appointed on November 19.

Both C&W and Telecom Italia said the two companies continued to enjoy friendly relations and it was possible the partnership would be renewed. Mr Brown said: "The door remains open."

He was talking after announcing the company's results for the six months to September 30. In spite of the strength of sterling and problems in Asia which held back progress at Hongkong Telecom, C&W's principal subsidiary, pre-tax profits before tax and exceptional items came in 10 per cent ahead at £878m compared with £797m last time. A dividend of 4.1p will be paid, 9 per cent ahead of last year's 3.765p.

C&W's plans for expansion in Europe were outlined earlier in the year. It has been securing licences and installing switches in a number of mainland business centres. Next week it will announce plans to link these centres through its own network.

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Background, Page 25

Market in IPOs spurred by rush for three issues

By John Labate in New York

The US market for initial public offerings surged yesterday as three much-anticipated new issues met with enthusiastic demand.

The largest was for 18.6 per cent of Fox Entertainment, ranked as the third largest US IPO at $2.8bn. Its shares were the most actively traded on the New York Stock Exchange at midday. The division of News Corp came to market at $22.50 and by early afternoon the shares were trading at 24\frac{13}{16}$.

The two other IPOs did well. MONY Group, formed as a holding company for Mutual Life Insurance Company of New York, traded 20 per cent above its offer price in early afternoon trading at 28\frac{5}{16}$. EarthWeb, a thinly-traded internet stock, shot to a 250 per cent gain to $49¾.

The success of the offerings renewed debate among analysts on whether the IPO market in the US has turned a corner after months of uncertainty that led many companies to postpone offerings or drastically reduce the size or price.

"Is the IPO market back? You bet," said John Fitzgibbon, editor of the IPO Reporter in New York.

Since August, large, brand name, profitable companies have been the only deals able to issue new shares. Small company IPOs, especially less well-known internet shares, have been held back by lack of demand in spite of a recovery in broader market indices.

"The whole market hinged on the reception given to EarthWeb, and that's going to swing the window open for a massive number of potential IPOs that are being carried by investment banking firms," Mr Fitzgibbon said.

Kathleen Smith, portfolio manager at Renaissance Capital's IPO fund, said: "There's been a bull market in small cap shares, and that has set the stage for this reception today."

The Russell 2,000 index of small company shares has climbed 28 per cent since hitting bottom in October as investor confidence in risky, small cap investing continues to rise. During the same time, Renaissance's IPO mutual fund has gained 36 per cent – a further sign of renewed confidence in aftermarket IPO performance.

Others, however, were more uncertain about the sustained health of the new issues market beyond the biggest deals. Especially important will be the decision on interest rates by the Federal Reserve's Open Market Committee next week. Many in the US equity and bond market expect another Fed rate easing at the November 17 meeting. If it does not happen, small company and IPO shares could suffer most.

Steven Tuen, director of research at the IPO Value Monitor, said: "The IPO market is firming up, but there are some caveats. This has been the worst market in 10 years and investors are still a little wary."

World stocks, Page 42

AGRICULTURE GERMAN GROUP HINTS THAT $650M ACQUISITION MAY BE IN JEOPARDY OVER ALLEGED PATENT VIOLATION

AgrEvo may seek revision to Cargill price

By Frederick Stüdemann in Bonn and Nikki Tait in Chicago

Cargill, the US agribusiness and industrial group, yesterday reacted with astonishment to news that AgrEvo, the German agri-chemicals group which is planning to buy Cargill's North American seed business, may seek a revision of the agreed $650m purchase price following a complaint over alleged patent violation by the US firm.

Klaus Pohle, head of the AgrEvo supervisory board, said that a lawsuit filed by Pioneer Hi-Bred, the US corn seed company, which alleged that Cargill had wrongfully obtained and used genetic material belonging to Pioneer, was cause for a possible renegotiation of the deal.

He said Cargill may have to accept a lower purchase price but also hinted that the deal may collapse altogether. "I can no longer guarantee that this transaction will take place," said Mr Pohle, who is chief financial officer of Schering, the pharmaceuticals group which, together with Hoechst, co-owns AgrEvo.

AgrEvo also pointed out that the acquisition was not yet closed and said the company was now investigating with the assistance of Cargill "the potential scope and consequences of the complaint". It said it still intended to close the purchase as soon as possible.

Like most recent seed deals, the AgrEvo-Cargill transaction carries a generous price-tag; sales of the operations in question were about $106m in 1997-98.

A Schering spokesman said Pioneer's complaint had introduced a risk to the deal that might need to be reflected in a lower purchase price. "If it ended up that royalties had to be paid to Pioneer, then that would reduce the value of the [Cargill] business," he said.

However, the news came as a surprise to Cargill, which said that AgrEvo had not approached it about renegotiating the deal and that no discussions on this were taking place.

Cargill, which earlier this week announced plans to buy the grain-trading operations of rival Continental Grain, acknowledged that it had kept AgrEvo informed of the lawsuit, but said that it saw "no merit" in Pioneer's complaint, and intended to vigorously contest the charges.

Lawsuits have become common in the area of agricultural genetics, with various companies accusing each other of misappropriating specific proprietary traits. Pioneer's suit was filed last month against three seed-corn producers, including DeKalb Genetics and Monsanto's Asgrow Seed, as well as Cargill. Pioneer has won a similar suit against Holden's Seeds.

Catastrophes ravage US insurance returns

Hurricanes and the collapse in financial markets, plus more intense competition, are taking their toll on earnings

By John Authers in New York

The profits of US property and casualty insurers sustained a serious battering during the third quarter, as catastrophe losses neared worst-ever levels.

Hurricane Georges, which hit the Caribbean and Florida in late September, is estimated to have created insured losses of $2.5bn alone, even though many of the worst affected areas, such as Cuba, are not covered by US insurers.

Hurricane Mitch, which devastated Honduras and other areas of central America last week, appears to have had an impact during this quarter, although insured losses are likely to be much lower as most victims were uninsured.

Total catastrophe losses for the first nine months are $8.3bn, roughly treble the losses for the whole of 1997.

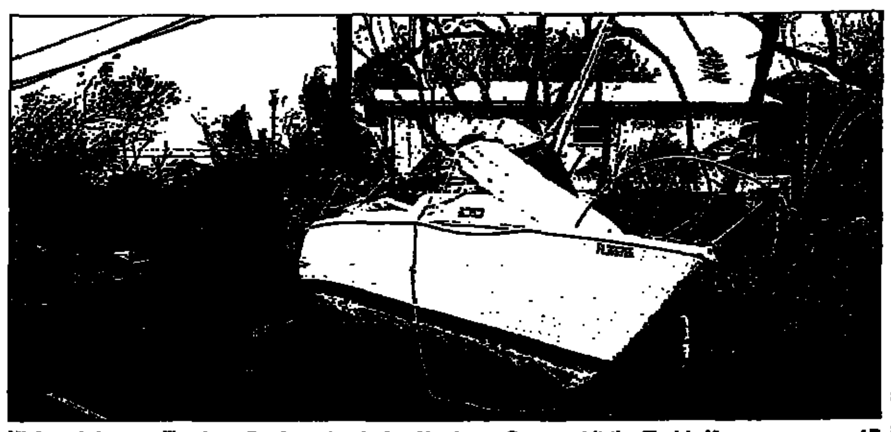
The collapse in financial markets during the quarter also made it harder for insurers to realise investment gains, although the markets have largely recovered in the current quarter.

On top of the high loss rates, insurance experts are projecting that the industry will continue to increase revenues from new premiums at a very slow rate, barely in excess of inflation. This is mainly due to the intensely competitive and fragmented nature of the industry, particularly commercial insurance, which makes it hard to raise premiums.

According to insurance analysts surveyed by the New York-based Insurance Information Institute, net written premiums for the industry will rise by 2.4 per cent this year – down from 2.8 per cent last year and 3.4 per cent in 1996. However, with inflation projected at 1.6 per cent, this would be a relatively high "real" growth rate. Next year, premiums are expected to grow by 2.6 per cent, with inflation at 2.5 per cent.

On the underwriting side, the combined ratio – a technical measure expressing total payments for losses as a proportion of premiums, but excluding all investment gains – is expected to rise to 104.3 this year, and to 105.5 next year. Last year, relatively benign weather in north America helped the ratio dip to 101.6, its lowest since 1979.

Robert Hartwig, the institute's chief economist, said: "Companies have been involved in this intense pricing environment for many years. Now companies are taking stock and looking to refocus or even retrench in some markets. They may slow down writing new business in some lines in some states, if they view it as unprofitable in the long term."



High and dry: a sailing boat lies in a street after Hurricane Georges hit the Florida Keys AP

St Paul Insurance, one of the biggest quoted insurers, has announced plans to leave some businesses, following third-quarter earnings of $47.7m, far below the $184.4m of a year earlier. The decline was thanks largely to catastrophe losses, which rose almost 400 per cent, from $35.7m to $173.5m.

The company was badly affected by smaller storms across the north-east and mid-west US earlier in the year, and predicted that losses for the year could approach those suffered in 1992. The company also saw a 5 per cent decline in revenues, and announced it would now start quitting some lines of business.

Douglas Leatherdale, chief executive, said: "We are taking measures to improve our performance in this difficult commercial insurance market. We will not sell insurance for less than an adequate rate, and we will cut expenses more aggressively in line with premium reductions."

Even companies which weathered the third quarter relatively well suffered falls in share price, due to worries over revenue growth. These included Allstate, whose catastrophe losses increased by a relatively modest 66 per cent over the equivalent quarter. But its stock fell heavily because premiums grew by only 3.8 per cent, at the bottom end of expectations.

Investors regain their enthusiasm for the web

By Roger Taylor in San Francisco

The internet sector is back on a roll after a brief setback last month when investors seemed to lose their enthusiasm for all things on-line.

Yesterday, EarthWeb, a small internet information company which lost $7.8m last year, saw its shares more than triple in value on their first day's trading. The stock, offered at $14 a share, jumped to $59 by midday.

The successful offering marks a big comeback by internet investors. Last month a string of internet-related public offerings were withdrawn owing to lack of investor interest. NetGrocer, Healtheon, theglobe.com and Allaire were just some of the companies forced to abandon attempts to float.

The febrile state of the market reflects investors' and analysts' difficulty in finding a sensible valuation for these companies, many of which have reached new highs in recent weeks.

To the bears, there is little sense to the multi-billion valuations put on companies that have small or no profits and exist in a rapidly changing market place. Yahoo!, the leading internet portal, for example, is now valued at close to $17bn but had sales of just $150m in the past 12 months.

To the bulls, it is a "no-brainer" that the enormous potential of the internet and the success of its leading companies in producing stellar rates of growth, will make today's valuations look dirt cheap in a few years' time. Mary Meeker, analyst at Morgan Stanley Dean Witter, is fond of reminding investors of those who questioned Microsoft's valuation in the 1980s just as the boom in personal computer sales was starting.

Other big gainers yesterday were CDNow, the online music retailer, which jumped 19 per cent to $14¾, and K-Tel, the music publisher which is redefining itself as an internet-based company. K-Tel shares more than doubled yesterday when it announced a music and video retailing deal with Microsoft. The shares also doubled last week when it announced a similar deal with Playboy.

The most recent wonder stock in the internet sector is eBay, the internet auction business which allows individuals to auction small items online. It is now valued at $5.2bn, compared with $714m when the company floated in September.

Even those in the business are astonished at such valuations. Larry Schwartz, chief executive of Auction Universe, a rival internet auction business, said eBay's valuation was "a little absurd". However, he maintained there was a real business opportunity for these companies.

Yesterday, Auction Universe was bought by Classified Ventures, a vehicle backed by a group of newspaper publishers. The growing market for personal internet auctions is seen as a threat to classified advertising in newspapers. By backing Auction Universe, the publishers hope to take advantage of this shift.

Bullish Intel good news for US computer sector

By Louise Kehoe in San Francisco

Intel's forecast of higher-than-expected fourth-quarter sales of its microprocessors has boosted investors' confidence in the US high-technology sector.

As the world's largest chipmaker, Intel sets sales trends for the entire personal computer industry, and its chips are also used in many larger computers. So the company's statement, late on Tuesday, that fourth-quarter sales were expected to be 8-10 per cent above third-quarter revenues of $6.7bn, signals stronger-than-expected growth for much of the US computer industry.

Intel said demand for its chips was now strong in all geographic markets and all product segments.

The company has offered few clues to the market trends behind its sales growth. However, its results indicate growing demand for personal computers.

One factor behind PC sales growth may be moves by companies to replace older desktop computers to avoid "millennium bomb" problems, industry analysts suggested.

It also appears that Intel's sales in Japan are picking up. The company offered no explanation for this trend, but analysts suggested that inventories of components and PC equipment in Japan had fallen sharply over the past few months.

Intel also said much of the anticipated fourth-quarter sales growth was attributed to higher sales volumes. This suggests the chipmaker is selling more chips, perhaps at slightly lower-than-average prices. This may reflect booming sales of low-priced personal computers, particularly in the US.

Intel is not alone in forecasting growth in semiconductor sales. A recent study by Dataquest, the market research group, predicted that the world semiconductor industry would grow 11.8 per cent in 1999, following a 6 per cent decline in 1998. Another study, due this week, is expected to point to even higher growth.

These optimistic forecasts are based in part on a slight increase in prices for memory chips over the past two months – the first increase in more than three years.

This is a direct result of Asian economic woes. The memory chip market is dominated by manufacturers in South Korea, Japan and Taiwan. Many of the chipmakers in these countries are closing plants, cutting investment in new plants and reducing spending on new product developments.

Thus demand and supply appear to be falling into line in the memory chip market and easing the overcapacity that has driven prices down over the past few years.

Intel was up $5⅝, or 5.6 per cent, in mid-session yesterday at $102⅜, a 12-month high.

Other US chipmakers were also up strongly. National Semiconductor gained 7.25 per cent. Shares of Advanced Micro Devices, an Intel competitor, rose 1.42 per cent.

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AT&T, MCI to compete on BT service

By Alan Cane

AT&T, the largest US long-distance operator, and MCI/WorldCom, the fast-growing alternative carrier, will for the next two years compete to distribute the services of Concert Communications, British Telecommunications' global supercarrier, in the US.

BT announced yesterday that AT&T had become a non-exclusive distributor of Concert services in the US. The UK group and AT&T announced a global alliance earlier this year which should see the two companies co-operating to develop a global network based on internet technology.

BT, however, has an existing agreement with MCI to distribute Concert services on a non-exclusive basis. This is a consequence of the deal through which WorldCom acquired MCI earlier this year, buying BT's 20 per cent stake in the US company in the process.

WorldCom, however, is likely to favour offering customers its own services over Concert's equivalent offering. It said yesterday that its chief commercial objective was to bring as much traffic onto its own network as possible.

WorldCom's strategy is heavily based on the fact that it owns its international networks and is therefore able to control the quality of service it offers.

It is able to offer its customers advanced services such as frame relay and asynchronous transfer mode (ATM) which are also available from Concert. It would, therefore, offer its customers Concert services "when it makes sense".

BT said that AT&T will sell the Concert portfolio under the AT&T Concert brand. Concert is one of a number of global supercarriers competing for the business of large international customers. It has some 4,400 customers in 52 countries. Committed contract revenue from these customers comes to $2.75bn, BT says. The BT/AT&T deal remains subject to regulatory approval.

It has been clear since WorldCom won the battle for MCI that BT would have to seek a partner to help distribute Concert services in the US. The AT&T agreement is seen as preferable to buying a US telecoms company at today's high prices.

NEWS DIGEST

TYRE MANUFACTURING

Grupo Carso to sell unit to Continental General

Grupo Carso, owner of Mexico's largest tyre producer, is to sell the division to Continental General Tire, the US subsidiary of Germany's Continental, for cash and a 19.4 per cent stake in the US manufacturer. The deal, valued by analysts at about $260m, was the first divestment by Carso, one of Mexico's leading conglomerates, since its billionaire founder, Carlos Slim Hélu, handed over control to his 31-year-old son, Carlos Slim Domit, last month.

Seen as a response to globalisation of the world tyre market, it gives Continental a stronger footing to supply Mexico's fast-growing car industry. Mr Slim Domit saw it as strengthening Carso's position in the global tyre business. The transaction, effective from December 1, was welcomed by analysts and Carso's shares on the Mexico stock exchange were up almost 2 per cent at midday.

"Carso was a local tyre player in a global game. They did the smart thing by getting out," said Bond Snodgrass, analyst at Warburg Dillon Read in Mexico City. Carso said it received $18.9m in cash as well as the shares, and that it would participate on the US company's board. It would also retain some oversight of the Mexican operation, which has 2,700 employees and had turnover of $328m in 1997. Continental is the world's fourth largest tyre manufacturer. Analysts were reluctant to put a precise price-tag on the takeover because Continental General Tire is a privately-held company. **Henry Tricks, Mexico City**

CONSUMER PRODUCTS

P&G to sell Hawaiian Punch

Procter & Gamble, the US consumer products group, yesterday put its Hawaiian Punch soft drink brand up for sale, saying it wanted to concentrate on more strategic opportunities for its food and beverage business. However, it said it would keep the brand if it did not receive a satisfactory offer.

Hawaiian Punch is said to be the best-selling fruit punch drink in the US, with sales of about $130m in P&G's fiscal year to June 1998. Other brands in P&G's food and beverage division include Pringles crisps and Sunny Delight fruit drinks. **Richard Tomkins, New York**

Cable and Wireless plc – Interim Results for the six months ended 30 September 1998

Financial Highlights

	30 September 1998	30 September 1997	Change %
Turnover including share of joint ventures	**£4,336m**	£3,903m	**+11**
Group turnover	**£3,622m**	£3,383m	**+7**
Total operating profit	**£968m**	£835m	**+16**
Profit before tax and exceptional items	**£878m**	£797m	**+10**
Profit before tax	**£1,122m**	£1,116m	**+1**
Earnings per share before exceptional items	**19.1p**	17.0p	**+12**
Dividend per share	**4.1p**	3.75p	**+9**

Chief Executive Statement

Cable & Wireless Chief Executive Richard H Brown said

"Cable & Wireless has delivered encouraging growth in underlying revenues and profits. These figures represent a sturdy performance, achieved in a period of substantial investment, strong Sterling and difficult economic conditions in Asia.

We have continued to reshape Cable & Wireless, building on our unique global presence and positioning ourselves to be a leader in the communications growth markets of the future. We have anticipated the trend towards Internet standards in global communications, and in one move grasped the opportunity to become one of the world's leading Internet businesses. We have successfully withdrawn from a number of businesses we could neither influence nor control sufficiently as we focus on delivering operational excellence.

We have made great strides in rebalancing away from dependence on revenues from Hong Kong and traditional international telephony revenues. Revenues outside Hong Kong now represent almost 70% of the total revenues, and non-international revenues have risen 20% to 64% of total revenues. Earnings are being impacted by the difficult trading conditions in Hong Kong. However, the overall prospects for the Group remain encouraging."

Group Profit and Loss account

	For the 6 months ended 30 September 1998 £m	For the 6 months ended 30 September 1997 £m	For the year ended 31 March 1998 £m
Turnover of the group including its share of joint ventures and associates	**4,336**	3,903	8,302
Less: share of turnover of joint ventures	**(664)**	(441)	(1,141)
Less: share of turnover of associates	**(50)**	(79)	(160)
Group turnover	**3,622**	3,383	7,001
Operating costs before depreciation and exceptional items	**(2,316)**	(2,166)	(4,517)
Exceptional items	**46**	–	(92)
Operating costs before depreciation	**(2,270)**	(2,166)	(4,609)
EBITDA	**1,352**	1,217	2,392
Depreciation before exceptional items	**(450)**	(396)	(833)
Exceptional items	**–**	–	(158)
Depreciation	**(450)**	(396)	(991)
Group operating profit	**902**	821	1,401
Share of operating profit in joint ventures	**53**	15	37
Share of operating profit in associates	**13**	(1)	(4)
Total operating profit	**968**	835	1,434
Profits less (losses) on sale or termination of operations before exceptional items	**–**	5	6
Exceptional items	**–**	519	519
Profits less (losses) on sale or termination of operations	**–**	524	525
Exceptional costs of a fundamental reorganisation	**–**	(200)	(200)
Profits less (losses) on disposal of fixed assets before exceptional items	**90**	41	85
Exceptional items	**198**	–	518
Profits less (losses) on disposal of fixed assets	**288**	41	603
Net interest and other similar income			
– group	**(91)**	(57)	(113)
– joint ventures and associates	**(43)**	(27)	(65)
Profit on ordinary activities before taxation	**1,122**	1,116	2,184
Tax on profit on ordinary activities	**(222)**	(150)	(244)
Profit on ordinary activities after taxation	**900**	966	1,940
Minority interests	**(289)**	(168)	(652)
Profit attributable to shareholders	**611**	798	1,288
	Pence	Pence	Pence
Earnings per share	**26.2**	35.4	56.8
Earnings per share before exceptional items	**19.1**	17.0	32.3
Fully diluted earnings per share	**25.8**	34.6	55.7
Dividends per share	**4.10**	3.75	12.25

Group Balance Sheet

	30 September 1998 £m	As restated 30 September 1997 £m	As restated 31 March 1998 £m
Fixed assets			
Goodwill	**1,022**	–	–
Tangible assets	**8,640**	8,063	8,532
Interest in net assets of joint ventures	**462**	190	570
Investments in associates	**91**	762	148
Other investments	**300**	192	197
	10,515	9,207	9,447
Current assets			
Stocks	**168**	89	156
Current asset investments	**138**	–	–
Debtors – due within one year	**1,647**	1,416	1,393
– net debtors securitised	**117**	–	54
– due after more than one year	**361**	157	178
Deposits and cash	**2,021**	1,800	1,687
	4,452	3,462	3,408
Creditors: amounts falling due within one year	**2,954**	2,575	2,738
Net current assets	**1,498**	917	670
Total assets less current liabilities	**12,013**	10,124	10,117
Creditors: amounts falling due after more than one year	**4,703**	4,148	4,202
Provisions for liabilities and charges	**249**	360	324
Interest in net liabilities of joint ventures	**144**	170	78
Net assets	**6,917**	5,446	5,513
Capital and reserves			
Called up share capital	**601**	568	570
Share premium account	**1,455**	530	555
Profit and loss account (as previously reported)	**–**	2,102	1,973
Prior year adjustment			
– elimination of Optus licence	**–**	(156)	(156)
– exchange retranslation on licence	**–**	6	22
Profit and loss account	**2,276**	1,952	1,839
Equity shareholders' funds	**4,332**	3,050	2,964
Equity minority interests	**2,585**	2,396	2,549
	6,917	5,446	5,513

Summary Group Cash Flow Statement

	For the 6 months ended 30 September 1998 £m	For the 6 months ended 30 September 1997 £m	For the year ended 31 March 1998 £m
Net cash inflow from operating activities	**1,119**	1,197	2,701
Dividends from joint ventures	**4**	1	10
Dividends from associates	**1**	1	13
Returns on investments and servicing of finance	**(322)**	(258)	(482)
Taxation	**(69)**	(91)	(284)
Capital expenditure and financial investment	**(872)**	(657)	(1,348)
Acquisitions and disposals	**(969)**	(126)	(650)
Equity dividends paid	**(194)**	(156)	(242)
Management of liquid resources	**(57)**	128	500
Net financing raised	**1,666**	93	221
Increase in cash in the year	**307**	167	250

Consolidated statement of recognised gains and losses and reconciliation of movements in shareholders' funds

	For the 6 months ended 30 September 1998 £m	As restated for the 6 months ended 30 September 1997 £m	As restated for the year ended 31 March 1998 £m
Profit for the period	**611**	798	1,288
Currency translation differences on foreign currency net investments and related borrowings	**(91)**	12	(177)
Unrealised gain on part disposal of a subsidiary	**–**	154	138
Total recognised gains and losses relating to the period	**520**	964	1,249
Prior year adjustment	**22**	6	22
Total gains and losses since last report	**542**	970	1,271
Dividends – interim	**(100)**	(85)	(85)
– final	**–**	–	(191)
New share capital issued	**928**	65	80
Adjustment in respect of scrip dividend	**–**	17	17
Goodwill written back	**20**	115	116
Goodwill acquired and written off	**–**	(1,025)	(1,540)
Total movements in shareholders' funds	**1,390**	(545)	(629)
Opening shareholders' funds	**2,964**	3,749	3,749
Closing shareholders' funds (as previously reported)	**4,354**	3,206	3,120
Prior year adjustment-elimination of Optus licence	**–**	(156)	(156)
– exchange retranslation on licence	**(22)**	–	–
Closing shareholders' funds	**4,332**	3,050	2,964

Financial Performance

Turnover including Cable & Wireless' share of associates and joint ventures increased by 11% to £4,336 million (15% at constant exchange rates*). Group turnover for the six months to 30 September 1998 increased 7% to £3,622 million (9% at constant exchange rates). This has been achieved despite the economic downturn in Asia, the strength of Sterling and major investments for future growth.

Total operating profit, including the Group's share of joint ventures and associates, after an exceptional operating item being the write back of a legal provision of £46 million, rose 16% to £968 million. Improved contributions from our joint ventures continue to have a significant impact on this growth. Group operating profit, excluding joint ventures and associates, before exceptional items, rose 4% to £856 million.

Pre-tax profit rose 1% to £1,122 million. Pre-tax profit before exceptional items grew 10% to £878 million (12% at constant exchange rates). There were two exceptional items in the six months totalling £244 million: a £198 million profit on the disposal of a stake in MTN and a £46 million write back of a legal provision.

Excluding exceptional items, of £244 million, and other non-recurring items, of £90 million, profit before tax rose 5% to £788 million (7% at constant exchange rates). Other non-recurring items include a £74 million gain on the sale of our stake in Lattelekom and a £15 million gain on the sale of our Russian businesses.

The share of the results before exceptional items attributable to the minorities has risen by 10% to £289 million. The increase principally arises because the minority stake in Hongkong Telecom is larger following the sale of 5.4% of the business in July 1997.

Profit before exceptional items attributable to shareholders rose by 16%. After taking account of the 5% share placing to raise the funds for the acquisition of the Internet business in July 1998, earnings per share before exceptional items rose 12% to 19.1p. Before the effects of all non-recurring items, underlying earnings per share grew 1% to 15.2p. Earnings per share after exceptional items were 26.2p.

Operating cash flow was £1,119 million. Capital expenditure for the period was £888 million up 22%. The major components were £206 million for Hongkong Telecom and £454 million for Cable & Wireless Communications.

Cash paid to acquire investments in the period was £1,381 million, giving rise to capitalised goodwill of £1,022 million. Included in the principal investments were a further investment in Bezeq for £59 million and the purchase of the US Internet business for £1,060 million. The Internet acquisition gives rise to goodwill which will be amortised over ten years. £687 million has been realised from investments and fixed assets, principally the second cash payment of £258 million under the agreement for the surrender of Hongkong Telecom's exclusive international licence, the disposal of Lattelekom for £142 million and the disposal of Cable & Wireless Communications information technology assets for £217 million.

Gearing (net debt to shareholders' funds) has decreased to 77%. This gearing measure takes into account 100% of the debt within our partly owned subsidiaries. Taking into account the minorities, gearing would have been 48%. Interest cover was 10 times on profit before tax and exceptional items; 12 times including exceptional items.

* Calculated by applying last year's average rate to this period's reported currency results.

Business Review

In pursuit of our vision – To lead the world in integrated communications – and to build for future growth in chosen markets, we have undertaken a number of initiatives to reshape Cable & Wireless. We acquired MCI's Internet business, dramatically enhancing Cable & Wireless' previous position as the world's largest non US carrier of Internet traffic in the booming Internet and data markets, which overall are forecast to grow by more than 50% per year. We have announced our intention to increase our stake in Cable & Wireless Optus to 52%, giving Cable & Wireless control of another excellent opportunity to deliver successfully our integrated communications products. In the last year we have announced the disposal of £965 million worth of non-core assets, which are expected to realise profits of £732 million, as we reposition Cable & Wireless as an operating company. Reflecting the restructuring of Cable & Wireless, non international revenues rose 20% and now represent 64% of total revenues.

Asia Pacific

Hongkong Telecom delivered a robust performance, maintaining profits while proactively reshaping the business during exceptionally difficult trading conditions. Turnover at HK$17,150 million, down 3%, was hit by the pressure on international services principally resulting from the economic downturn. Non international businesses, particularly Internet and leased lines services have shown strong revenue growth of 11% despite the recession, as Hongkong Telecom continues to pioneer new and fast growing markets. Mobile business revenues grew by 28.4%, reflecting the acquisition of Pacific Link in January 1998. A strong emphasis on improving efficiency resulted in a 3.4 % decrease in operating costs and this helped maintain Hongkong Telecom's operating margin at approximately 38%. Operating profits for the six months were HK$6,505 million. Hongkong Telecom's world leading interactive television service is now available to more than 1 million homes and over 100,000 customers have been registered. Data services revenues grew by 21% and international leased circuit capacity grew 90%, driven by strong demand for Internet services. Hongkong Telecom has increased its dial-up Internet customer base by 30% and delivered 85% growth in overall Internet traffic, reinforcing its lead in Hong Kong's Internet services market.

Demonstrating Cable & Wireless' commitment to Optus in Australia, the company's name was changed to Cable & Wireless Optus in August this year. Revenues in the business grew by 10% at A$1,483 million, costs were cut by 4% and losses were eliminated to generate an operating profit of A$141 million. Cable & Wireless Optus confirmed its growing strength in the Australian telecommunications market, supported by strong growth in the mobile sector – mobile customer numbers up 10% at 1.7 million. Local telephony, pay television and Internet services achieved a 69% growth rate, ideally positioning them to exploit the fastest growing sectors of the market. Cable & Wireless Optus is currently on track to be listed on the Australian Stock Exchange in mid November following a limited public offering. Cable & Wireless has announced its intention to increase its share holding to 52% and take control at the time of the public offering.

Europe

Cable & Wireless Communications delivered double digit revenue growth up 11% to £1,257 million, growing strongly in all market sectors and introducing new and innovative services. Fuelled by increasing demand for data, video, and Internet services, value added services revenues grew by 39% and now represent 25% of total revenue. Cable & Wireless Communications is now the world's 9th largest international carrier of traffic in its own right, carrying more international traffic for European and UK mobile operators than any other operator, with revenues in the sector up by 72%. Reflecting the continued drive to improve productivity and reduce unit costs, operating profits increased by 28% to £157 million. Cable & Wireless Communications delivered a profit before tax of £65 million. A combined approach of investing for revenue growth whilst driving cost efficiencies will enable Cable & Wireless Communications to continue to grow profits whilst improving is services to customers.

Revenues in One 2 One were up 50% in the period, reflecting an 83% growth in the total customer base with over 1.5 million customers. One 2 One achieved a positive earnings before interest, tax, depreciation and amortisation (EBITDA) in the period, and cut losses by a third to £32 million. With a broadened distribution in the high street and the launch of their new business services One 2 One is on track to continue to improve profits and grow market share.

The Americas

Revenues in Cable & Wireless USA fell by 5% at US$562 million, although operating margin falls were held at 1%. These declines reflect the changed mix of revenues relating to the legal case that has now been satisfactorily settled. In September Cable & Wireless USA successfully acquired MCI's Internet business for $1.7 billion, catapulting itself upwards to become one of the world's top four carriers of Internet traffic and repositioning itself to be able to exploit the explosive data and Internet sectors. This important asset will help Cable & Wireless USA to grow revenues substantially, with annualised revenues of over US$400 million, and to succeed in the fastest growing sector of the telecommunications world.

The Caribbean and Panama Region again delivered double digit revenue growth. In the Caribbean revenues grew 8% at US$558 million and in Cable & Wireless Panama 72% at US$182 million. Operating profits in the Caribbean grew by 8% and by 25% in Cable & Wireless Panama. Caribbean telephony customer numbers increased by 12%, and mobile customers by 34% in the period. The strong growth rates in Panama reflect a full six month contribution following our acquisition of a 49% stake in June 1997. The mobile sector in Panama delivered particularly strong growth. In just eight months since launch, Cable & Wireless has achieved 30% market share. As a result of the drive to diversify revenues across the region, non-international revenues showed strong growth, up 45%.

Global Businesses

In the previous year Cable & Wireless formed global lines of business to leverage its unique international experience and assets around the Group. Transforming Cable & Wireless into one global company is creating value beyond the worth of the individual businesses. Lines of business under this structure include Global Mobile, Global Card Services, Global Marine, Global Networks, and business services to global organisations, known as Global Markets.

The Global mobile line of business achieved customer growth of 15% year on year, taking the equity adjusted customer base from 2.1 million to 3.1 million customers. Highlights of growth in the six month period include an outstanding performance from Mobile One in Singapore, winning 26% market share with customers up 25% in the period. Mobile revenues across the Group now equate to approximately £608 million, or 15% of Cable & Wireless' total revenues, illustrating the increasing importance of, and the sustainable growth in, this sector.

Other Global lines of business also achieved significant growth. Our Global Marine business grew significantly up to £85 million; our Global Markets business also achieved strong revenue growth. In the past six months Cable & Wireless Global Markets has won new business worth US$150 million in revenues over the next 4 years. These wins include a major order worth US$500 million over 4 years, from the US based multinational ServiceNet, an Andersen Consulting joint venture, to provide voice and data services in over 40 countries. Our Global Network operations position Cable & Wireless as the world's third biggest carrier of international traffic, and enable Cable & Wireless to secure the lowest possible international cost base. Complemented by our recent significant Internet investments, uniquely Cable & Wireless has some of the most efficient routes, and the broadest geographical presence, to enable it to exploit the lucrative global opportunities of the rapidly expanding communications market.

Notes

1. The interim financial statements are prepared in accordance with applicable accounting standards. The policies applied are those set out in the Annual Report and Accounts for the year ended 31 March 1998 except that the group has adopted the requirements of Financial Reporting Standard numbers 10, 11, 12 and 14 in these financial statements. No adjustments have been made to the current or prior periods as a result of the introduction of Financial Reporting Standard numbers 11, 12 or 14.

   Goodwill arising on the acquisition of businesses and separately identifiable purchased intangible assets are capitalised and classified as assets on the balance sheet. Where the goodwill and intangible assets are expected to have a limited useful economic life they are amortised on a straight line basis over their expected lives. As a result of the introduction of this standard the licence previously recognised as part of the carrying value of the investment in Optus has been eliminated as a prior year adjustment. Goodwill arising on the acquisition of the US Internet business will be amortised over ten years.

2. The interim financial statements are unaudited and do not constitute statutory accounts but have been reviewed by the auditors. The interim financial statements for the 6 months ended 30 September 1998 were approved by the directors on 10 November 1998.

3. The group profit and loss account, group balance sheet and group cash flow statement for the year ended 31 March 1998 are an extract from the statutory accounts for the year which have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified. The Group has restated its earnings per share for the prior period and the year ended 31 March 1998 to take account of the effect of the placing in July 1998.

4. The directors have declared an interim dividend of 4.10 pence (1997-3.75 pence) per ordinary share. The dividend is intended to be paid as a Foreign Income Dividend (FID), however in the event of any circumstances arising which in the opinion of the Board cause the FID to be no longer in the best interest of the Company or its shareholders as a whole, the Board will pay the interim dividend as a normal dividend.

   The dividend will be paid on 1 March 1999 to shareholders on the register at 29 January 1999. The declared dividend will be payable in cash on 10 March 1999 to American Depositary Receipt (ADR) holders who are registered with Citibank, N.A. as of 29 January 1999. A Dividend Reinvestment Plan will be offered in respect of the interim dividend. The deadline for receipt of the mandate elections for the dividend reinvestment plan is 8 February 1999.

5. If you have any enquiries as a UK shareholder, please call the Company Secretary on 0171 315 6767.

CABLE & WIRELESS

CHEMICALS ASIAN CRISIS CUTS DM900m FROM GERMAN GROUP'S NINE-MONTH REVENUES

Bayer warns of low earnings growth

By Graham Bowley in Frankfurt

Bayer, the German chemicals and pharmaceuticals group, warned yesterday that sales would stagnate this year and earnings would increase only slightly after the turmoil in Asia wiped DM900m ($534m) off revenues in the first nine months.

The group joined the chorus of disapproval at the tax plans of Germany's new centre-left government, which it said would jeopardise investment and jobs.

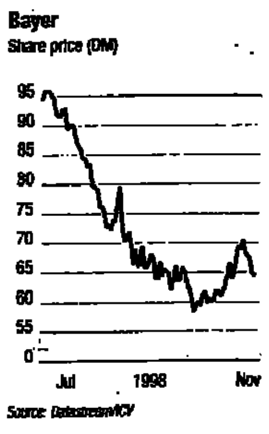
Manfred Schneider, chairman, said: "As we are unable to pass on these extra costs in our prices, we must take appropriate cost-cutting measures or, in extreme cases, give up certain activities which are no longer economically viable."

Bayer's sales declined over 6 per cent to DM13bn in the third quarter because of a sharp decline in prices, divestments and the stronger D-Mark, as well as shrinking Asian revenues, especially in Japan.

But net income rose 7.8 per cent to DM681m, thanks to lower raw-material costs and cost-cutting.

Bayer's results echoed those of BASF, its fellow German chemicals group, which this week warned of a downturn in the industry next year and tumbling prices because of the Asian crisis.

Hoechst, the third big German chemicals and drugs group, is expected to reveal similar trends when it publishes third-quarter results next week.



Mr Schneider said business conditions would be difficult next year and he would not rule out a drop in profits. However, he added: "A difficult year does not necessarily have to lead to a decline in earnings."

Bayer suffered a worsening business environment in Japan, where government-mandated cuts in drugs prices cost the group DM50m in the first nine months.

The group also had problems in the US, where production of plasma drugs was interrupted to meet tougher standards set by US authorities. Sales in the first nine months were only slightly ahead, and operating profit fell 41 per cent to DM591m.

Bayer said its business in Europe, where sales increased 4 per cent in the first nine months, was "pleasing". "The imminent introduction of the euro is already having a stabilising effect, and there are virtually no significant currency fluctuations within Europe any more," Mr Schneider said.

Business was strong in the UK, Scandinavia and eastern Europe, but sales growth in Germany was "disappointing".

Like BASF, Bayer warned against the government's tax changes. Plans for higher electricity and gas taxes would cost Bayer about DM150m each year, Mr Schneider said.

By contrast, the government's proposed cut in social security payments would reduce the group's non-wage labour costs by only about DM14m annually.

Schering to proceed with buy-back

By Frederick Stüdemann in Bonn

Schering, the pharmaceuticals group, will today become the first German company to proceed with a buy-back of its own shares, even though the tax status of such a move remains unclear.

The company said it had appointed two unnamed banks to buy shares up to a value of DM500m ($297m) in the London and Frankfurt stock exchanges.

Klaus Pohle, chief financial officer, said the banks would initially purchase shares over the next two weeks but that the overall buy-back would take longer as Schering did not want to distort the market.

The move surprised investors and analysts, who had expected the company to wait for the outcome of government deliberations on the taxation of income from buy-backs. In Frankfurt, Schering shares jumped 4.2 per cent to close at DM195.


Giuseppe Vita: forecasts single-digit sales and profit growth for 1999 Reuters

A recent draft proposal from the German finance ministry envisages tax neutrality for share buy-backs. In the past, some of Germany's regional states had claimed that share buy-backs be treated in the same, taxable, way as dividends.

Schering acknowledged it was taking a "minimal risk" with the move but said it believed the draft proposal would be adopted, even though it was drawn up by the previous government.

Some analysts suggested Schering might concentrate its buy-back efforts in London to reduce the risk of a clash with the authorities. "London offers them the chance to do what they have promised without running into problems with the tax office," said one Hamburg-based analyst.

Several German companies, including the chemicals group BASF, have expressed interest in share buy-backs, but have said they will wait for the changes in legislation.

Schering said the move would boost earnings per share as well as address investor concerns about the company's high levels of cash.

In the first nine months, sales rose 7 per cent to DM4.8bn after adjustments for exchange rate changes. In D-Mark terms, sales grew by just 3 per cent. Operating profits were almost static, rising just DM3m to DM664m. Profits after tax rose 7 per cent to DM375m.

Giuseppe Vita, chairman, said that with 85 per cent of sales outside Germany, the company would be affected by adverse economic conditions, particularly in emerging markets such as Brazil, and a possible depreciation in the value of the dollar against the D-mark.

He forecast single-digit sales and profit growth for 1999.

South African Breweries eyes listing in London

By Victor Mallet in Johannesburg

South African Breweries expects to decide whether to move its primary stock exchange listing from Johannesburg to London by the end of December, Graham Mackay, group managing director, said yesterday.

Although he gave no further details about the possible move – which would follow in the footsteps of the Anglo American conglomerate – he indicated that he favoured the idea because it would enhance SAB's access to capital.

"It brings within range transactions that would be hugely beneficial strategically," he said.

Announcing a 12 per cent rise in interim net profits, Mr Mackay also acknowledged that various international brewing groups were interested in buying into SAB. The company's latest reported suitor is Interbrew of Belgium, but Mr Mackay said a bid for SAB "would be a considerable stretch for Interbrew".

The principal SAB stake available to buyers is the 29 per cent held by Bevcon, which is jointly controlled by Anglo American, Liberty Life and Johnnic.

All three have said they want to dispose of their interests in SAB. "It might be easier for them to dispose if we're in London," Mr Mackay said.

SAB, meanwhile, is continuing a restructuring programme which involves the sale of non-core assets and the strengthening of its international operations in Africa, central Europe and China.

On Monday, SAB said it was in negotiations to sell its 68 per cent holding in Plate Glass and Shatterprufe Industries, which makes glass for vehicles.

In the six months to September 30, SAB reported a 12 per cent rise in net earnings to R779m ($138m) from R694m in the same period the previous year, although it warned that the figures were not entirely comparable because of recent acquisitions and disposals.

Pre-tax profit fell 13 per cent from R1.39bn to R1.22bn on turnover up 11 per cent from R13.83bn to R15.29bn. The interim dividend is 80 cents, against 73 cents a year earlier.

SAB said it expected earnings growth to slow in the second half, partly because of restrained consumer demand in South Africa as a result of the weak domestic economy.

Agnelli move on Exor lifts Ifi shares

By James Blitz in Rome

Shares in Ifi, the Italian group that is one of the Agnelli family's main holding companies, rose sharply in Milan yesterday after Giovanni Agnelli & C. launched a $1.6bn offer to take over fully the Luxembourg-based Exor group.

In an operation that seeks to consolidate Giovanni Agnelli & C. as its main holding company, the Agnelli family announced plans to purchase the remaining shares it does not already own in Exor.

The Exor group has, among its holdings, a 19 per cent stake in Club Méditerranée, 20.5 per cent of Rockefeller Center Properties, 30 per cent of the US company Riverwood International and 75 per cent of Chateau Margaux.

The Agnelli family said they would delist Exor from the Luxembourg Stock Exchange if the takeover was successful, although they also reserved the right not to accept the shares offered if less than 50 per cent of the total share capital was tendered.

The Agnelli family made clear to analysts earlier this year that it wanted to simplify its complex investment portfolio as part of a plan to increase value for shareholders.

The move on Exor is considered an important step in the development of that strategy, although there is as yet no thought of merging any of the companies involved.

When Giovanni Agnelli & C. was set up 10 years ago, many members of the Agnelli family traded in their Ifi shares and bought a stake in the new holding company.

But others did not, continuing to hold a large portion of ordinary shares in Ifi directly.

Giovanni Agnelli – the honorary chairman of Fiat – now hopes to place all the ordinary shares of Ifi with the holding company that bears his name in order to create a more powerful holding company at the heart of the empire.

Ifi still owns some 24.8 per cent of the ordinary share capital in Exor, explaining the near 5 per cent rise in Ifi's shares in Milan yesterday. Ifi preference shares closed L1,238 higher at L26,200.

The Agnellis feel that the remaining family members will be more tempted to trade in their Ifi shares for shares in Giovanni Agnelli & C. if the latter company gains full control of Exor and its valuable assets.

"A coherent and strong holding company is a stable reference point and an important support for the executives of our group who want to conquer the challenges of the global market place," Mr Agnelli said earlier this week.

Family origins, Page 24

KSB looks abroad to save on costs

Pump-maker earmarks DM800m for push, write **Graham Bowley and Peter Marsh**

After an ambitious restructuring of KSB, the German group which is Europe's second biggest maker of pumps, Josef Gerstner, chief executive, is now intent on international expansion.

He is keen to spend up to DM800m ($475m) in the next year on acquisitions, to boost annual sales by at least DM1bn from DM2.1bn last year. Most of the extra revenues would come from the US, where KSB is relatively weak.

Mr Gerstner is clear about the economics driving this expansion. On the one hand, the excessive costs of doing business in Germany are a heavy burden on companies like KSB and have driven other big German manufacturers to seek cheaper locations abroad.

"There are high salaries [in Germany], the longest vacation periods. These create problems," he says.

But after a loss of DM54m in 1995, Mr Gerstner launched a recovery plan that included plant closures, mainly in Germany, and about 800 job cuts. "The last three years have been a very painful period," he says.

More efficient plant procedures were introduced, which Mr Gerstner says have increased productivity by 10-15 per cent a year since the mid-1990s. The time taken to deliver pumps to customers, for example, has been cut by 30 per cent from 1995.

This has been a difficult adjustment, but the result has been that the 127-year-old company last year recorded a pre-tax profit of DM73m. This year, Mr Gerstner says, the company is on course to boost that to DM120m.

"Many of Germany's big engineering companies went through crisis and have restructured, and KSB is now back on track," says Barbara Haas, analyst at Salomon Smith Barney in Frankfurt.

Mr Gerstner also places great emphasis on other forces in the economic equation: rapid growth in foreign markets at a time when demand in Germany is all but stagnant.

"Germany is a saturated market. The infrastructure is already built, so there is no growth in this area. The market growth is moving away from Europe. This is something we have to consider," he says.

Added to these pressures are calls from KSB customers for a greater presence in their own markets. Foreign customers ask for a high proportion of foreign content in products, he says. "We cannot serve the world with products only from Germany."

Thus international expansion became a central plan of Mr Gerstner, who took the helm at KSB in May 1996 after spells at Siemens, MAN and Deutz, other German industrial groups.

He wants to increase sales over the next three years through internal growth by 6 per cent a year, nearly twice as fast as the likely expansion in the world pump market. Mr Gerstner believes KSB could achieve annual turnover of about DM3.7bn by 2003 – which would see it overtake ITT, of the US, as the world's biggest pump-maker.


Back on track: Josef Gerstner is now eyeing the US market

Mr Gerstner also wants to cut the proportion of sales to western Europe from two-thirds of the total to 50 per cent within five years. He sees Asia, particularly India and China, as a vital area, in spite of the economic upheaval there.

The company plans to increase annual spending on research and development from DM60m to DM100m, with much of the additional cash being spent on electronic or "intelligent" pumps. One such model, installed in a chemical factory, could use sensors to record changes in fluid pressure and adapt its operation accordingly.

KSB is also spending DM60m on a computer system that will link engineers in its four main development centres – in Germany, France, Brazil and India – to help them exchange designs and speed up development efforts.

"We should be able to use new methods to cut the development time for new pumps by half while reducing the complexity of the pump [in terms of number of components and the procedures needed to manufacture it] by a factor of 10 in some cases," says Mr Gerstner.

The company is talking to some of its main suppliers about linking their factories to KSB's main plants via computer networks to exchange information about ordering patterns and parts supply, so increasing throughput times and helping to reduce production costs further.

NEWS DIGEST

AIRLINES

SAirGroup to pay SFr1bn for large stake in LTU

SAirGroup, parent of Swissair, is expected to announce today that it is paying more than SFr1bn ($720m) for a substantial stake in LTU, the German charter airline and tour operator. SAirGroup has been in negotiations for several months to buy the 34.7 per cent of LTU held by Westdeutsche Landesbank. WestLB is the biggest shareholder in TUI, Germany's biggest tour operator, and the German competition watchdog has ordered it to sell its LTU stake following the takeover of Hapag-Lloyd, the German travel and tourism group, by Preussag, a German industrial conglomerate in which WestLB also has a substantial stake.

SAirGroup has been particularly keen to buy WestLB's stake because that would give it a significant position in the charter airline business in Europe's biggest travel market. SAirGroup is understood to be interested only in LTU's airline, which carried more than 7m passengers last year, but not in its tour operator business. **William Hall, Zurich**

STAINLESS STEEL

Low prices hit Acerinox

Acerinox, the Spanish stainless steel group, blamed lower worldwide prices and the Asian crisis for a 48 per cent fall in net profits for the first nine months of the year. Attributable net earnings dropped to Pta9.66bn ($67.5m) from Pta18.48bn in the same 1997 period, although the company said the fall was exaggerated by an extraordinary Pta2.75bn gain made in 1997 from the sale of a 23 per cent stake in the Mexican company Mexinox to Germany's Krupp Thyssen. Prices, hit by overcapacity and the Asian turmoil, were "the worst for many years". However, Acerinox's turnover in the nine months was only 1 per cent lower at Pta162.77bn. **David White, Madrid**

DEUTSCHE TELEKOM

Germany sells further stake

The German government has relinquished majority ownership of Deutsche Telekom, Europe's largest telecoms group, after selling a further 11 per cent of the group's shares to the Kreditanstalt für Wiederaufbau, the publicly owned development bank. The temporary "parking" of the shares with KfW is part of a deal announced in June last year to help tackle the country's budget problems. The sum raised by the federal government was not disclosed, but is understood to be about DM10bn ($5.94bn).

A first 13.5 per cent tranche of Deutsche Telekom shares was parked with the bank last December. Under the terms of the June 1997 agreement, the shares could be sold at market value to strategic investors in Deutsche Telekom but would not be sold on capital markets before 2000. Some 26 per cent of Deutsche Telekom's shares were floated at the group's partial privatisation in November 1996. **Ralph Atkins, Bonn**

INSURANCE

Storebrand shares shrug off loss

Storebrand, Norway's largest insurer, yesterday reported third-quarter losses as market turmoil took a heavy toll on investment returns. The company slid to a NKr75m ($10m) deficit, against a NKr274m third-quarter profit last year, in spite of a jump in life assurance premiums from NKr5.4bn to NKr7.2bn. However, the losses were not as deep as many analysts had feared and Storebrand shares closed NKr3 higher at NKr56. Age Korsvold, chief executive, said market turbulence during the quarter had "really put the insurance industry to the test". However, he insisted Storebrand had weathered the volatility well and said equity markets had performed better at the start of the final quarter. **Greg McIvor, Stockholm**

BANKING

ABN to close leasing arm

ABN Amro, the Dutch banking group, is to shut down most of the activities of Frankfurter Kreditbank, its wholly owned equipment leasing subsidiary in Germany. The bank expects to cut about 130 of Frankfurter Kreditbank's 160 staff. Further redundancies will result from the merger of ABN's Aachen and Düsseldorf offices. ABN bought the German bank, which leases machinery and vehicles, in 1990. Although profitable, its returns have been well below the group's thresholds. **George Graham, Banking Editor**

Deutsche Bank cool on BfG

Deutsche Bank, Germany's largest, said yesterday it was unlikely to bid for a stake in BfG Bank, a domestic retail bank. Rolf Breuer, Deutsche chief executive, said his bank had been invited to join the bidding process for BfG, "but now that we've got more information, we feel the answer might be negative and that the bank doesn't fit our retail strategy". BfG was put up for sale after the European Commission ordered France's Crédit Lyonnais to sell its stake of slightly more than 50 per cent in return for approval of state aid.

Separately, Mr Breuer said Deutsche was considering further expansion in Japan through an alliance with a Japanese banking institution. Deutsche on Tuesday announced a strategic alliance with Nippon Life, Japan's largest life assurer. **Tony Barber, Frankfurt**

Commerzbank results, Page 24

ELECTRONICS

Siemens unveils sale plans

Siemens, Germany's biggest electronics group, yesterday outlined further plans for the disposal of its components businesses, announced last week as the centrepiece of a DM17bn ($10.1bn) restructuring.

It said it would launch a stock market flotation of its passive electronic components and electron tubes activities at the end of next year or in 2000. The division, which has annual sales of about DM2.6bn, will be merged with an existing joint venture between Siemens and Japan's Matsushita before the joint group is floated. Siemens plans to float its semiconductor business, the largest part of its components business, and is looking for a partner to take on its electromechanical components, which form the remainder of its components activities. **Graham Bowley**

CORRECTION

Bank Austria

Bank Austria's total 1998 provisions for domestic and international business will be approximately Sch10.8bn, of which Sch2.9bn will be for Russian-related balance sheet risks and a maximum of a further Sch2.5bn for its off-balance sheet business. The figures were incorrectly reported in yesterday's Financial Times.

BANKING AUSTRALIAN GROUP UP 4%

Strong home business helps lift Westpac

By Gwen Robinson in Sydney

Westpac Banking, Australia's second largest bank, said strong growth in core domestic businesses helped drive a modest profit increase in the year to September.

Signs of a slowing economy had prompted the bank to more than double loan-loss provisions and sharply cut its exposure to the troubled Asia region.

Westpac said integration costs related to its two recent mergers, with Bank of Melbourne and Trust Bank of New Zealand,

had held back profit growth.

In the current year, however, the completed mergers would yield strong synergy benefits and increase the customer base and revenues, said Bob Joss, managing director.

Westpac's merger with Trust Bank made the new group, WestpacTrust, New Zealand's largest banking branch and automatic teller network.

Group net profit before abnormal charges rose 4 per cent to A$1.34bn (US$836m), in line with expectations.

The bottom-line figure, however, fell 1.5 per cent to A$1.28bn owing to an abnormal charge of A$70m on the group's A$300m programme to modernise and streamline its domestic retail branch network.

Earnings per share before abnormals rose just 0.1 per cent to 70 cents because of the issue of 142m shares – a 5 per cent increase in shares on issue. The proceeds were used to finance the A$1.44bn acquisition of Bank of Melbourne and the conversion of preference shares.

Westpac said it expected one-off costs of about A$320m associated with the two acquisitions, while cost benefits of about A$200m would be gained through synergies such as rationalisation of information technology processes and centralisation of head office functions.

Mr Joss said Westpac was taking a more conservative stance towards lending in light of regional economic turmoil and a global economic slowdown.

Its total charge for bad and doubtful debts rose from A$78m to A$168m, with Asian exposure accounting for more than 80 per cent of the total.

The bank cut total Asian exposure by one-third to A$6.87bn in the year, with about 80 per cent of exposure maintained to investment-grade customers.

In the current year, the benefits of Westpac's two mergers, its branch overhaul programme and continued growth in core business areas would help the group face increasingly tough competition in the Australasian market, Mr Joss said.

"With competition remaining intense, focusing on getting the fundamentals right will be more important than ever."

Westpac shares rose 2 per cent to close at A$9.93 yesterday.

Cathay Pacific and PAL aim for joint ascent

By joining forces both Asian carriers stand to benefit from the other's strengths, writes **Louise Lucas**

It has been a turbulent year in Asian skies: the financial crisis has forced airlines to scrap what used to be some of the world's most profitable routes, and the once lucrative industry has been grounded by rising costs and falling margins.

Typical of the regional problems are Cathay Pacific, Hong Kong's *de facto* flag carrier, which recorded its first loss in more than two decades at the halfway stage this year, and Philippine Airlines, Asia's oldest airline, which was forced to suspend operations in September after a labour dispute.

PAL is inefficient and saddled with about $2bn worth of debt. Despite this, Cathay Pacific is eyeing a role as its rescuer, reinforcing its own Asian franchise, preventing its rivals from doing so, and boosting its income stream into the bargain.

The proposed deal between the two – seen at this stage as Cathay Pacific taking a stake of up to 40 per cent and having input into PAL management – would offer benefits to both parties.

PAL is seen as poorly managed, but as a large airline with good routes. In contrast, management is regarded as one of Cathay Pacific's strengths; its weaknesses are a high cost base – Hong Kong – and exposure to a region in recession.

One irony of PAL's weak management record is that the Philippines' legions of overseas workers prefer not to use their national carrier, says Jim Eckes, managing director of Indoswiss Aviation. In Hong Kong, faced with the prospect of departure delays cutting into their fortnight-a-year holidays, many domestic helpers opt for Cathay Pacific over what they have dubbed Planes Always Late.

"The Philippines is a country of 70m people travelling a great deal, but previously PAL has not been getting a lot of that business because their own country people prefer to fly foreign carriers," he says.

PAL, unable to match Cathay's reliability, has sought to lure back these customers by undercutting prices – obliging the Hong Kong group to do likewise. So if Cathay can lift efficiency at PAL, ticket prices could be raised at both carriers.

Another route that could bring higher yields, to the benefit of both PAL and its shareholders, is between the Philippines and the US, where PAL has traditionally sold tickets cheaply despite little competition.

Those who have looked into PAL's finances – or even flown on its planes – agree efficiencies could be rapidly produced through improvements in reservations and ground handling.

Cathay, as part of the new Oneworld Global Alliance, could do more. Its bargaining clout with suppliers allows it to obtain aircraft at a 20-25 per cent discount to list price, according to Mr Eckes, and its credit rating ensures better financing terms than most other regional carriers.

Ultimately this would enable it to sub-lease planes to PAL, but for now the industry's problem is over-capacity rather than insufficient aircraft.

On the other hand, the cheaper cost base of the Philippines could make it an attractive place to co-source services for both airlines. Cathay already carries some of these out in Australia or China; others ripe for relocation include flight catering and maintenance.

PAL could be a useful repository for some of Cathay Pacific's surplus aircraft, and the Philippines might prove a rich source of cabin crew. Labour is cheaper than in Hong Kong and skilled in languages.

However, Philip Tulk, analyst at Lehman Brothers, says cost savings are lower on Cathay's agenda than strategic questions. A stake in PAL, he says, would give it a base in Manila from which to beef up inter-continental routes, and would prevent others from doing the same. "There's a strategic incentive for them to lock up this area so that somebody else does not."

Cathay Pacific's route network has been thrown out of kilter by the Asian financial crisis. Its Hong Kong-Japan and Hong Kong-Taiwan routes were immediately vulnerable, and some of these flights – which accounted for almost half of revenues and a bigger portion of profits – have been scrapped.

This, analysts say, has made Cathay Pacific a less marginal Asian operator. Hong Kong's new airport, the larger, more efficient Chep Lap Kok, means the territory is no longer simply an end destination.

"Now Hong Kong is on the map as a hub, and that's a really important change for Cathay because it can sell flights like Edinburgh to Melbourne changing at Hong Kong, and not just Hong Kong to Tokyo," says an analyst.

Manila is unlikely to play a similar role in the medium term, but Mr Eckes says that if turned round, PAL could soon produce annual profits of $100m. However, there is much to be resolved before that is possible under Cathay Pacific.

Traffic signals

Forecast passenger volumes

Philippines	1998 ('000)	1999 ('000)	2000 ('000)	2001 ('000)	2002 ('000)
Middle East	596	598	[illegible]	[illegible]	627
North America	1,085	1,144	1,209	[illegible]	1,320
North-east Asia	3,726	3,947	4,214	[illegible]	4,920
South Asia	21	21	21	22	22
South Pacific	232	243	260	278	300
South-east Asia	1,306	1,389	1,506	[illegible]	1,754
Western Europe	447	474	506	542	581
Total	7,415	7,817	[illegible]	[illegible]	[illegible]
Hong Kong					
Eastern Africa	24	26	28	30	31
Lower S. America	19	20	22	[illegible]	25
Middle East	212	231	250	[illegible]	294
North America	1,965	2,076	2,221	[illegible]	[illegible]
North-east Asia	13,023	14,172	[illegible]	[illegible]	18,219
South Asia	377	409	431	[illegible]	[illegible]
South Pacific	1,357	1,426	[illegible]	[illegible]	1,920
South-east Asia	6,986	7,382	7,769	8,171	[illegible]
Southern Africa	130	138	145	[illegible]	159
Western Europe	2,279	2,419	[illegible]	[illegible]	[illegible]
Total	26,371	28,345	[illegible]	[illegible]	[illegible]

Source: [illegible]

Brierley, Shamrock in talks

By Terry Hall in Wellington

Shamrock Capital Partners, a US investment company for Disney family interests, yesterday began talks with Selwyn Cushing, the new chairman of Brierley Investments, on its future involvement with Australasia's biggest corporate raider.

Stan Gold, Shamrock president, said before his meeting with Mr Cushing that his offer was flexible.

He said Shamrock was willing to inject up to NZ$400m-$600m (US$211m –$317m) – more than initially proposed – and accept longer-dated securities. But he remained firm on the demand to manage the company.

Mr Gold said the cash injection would give Brierley relief from its bankers, permit a resumption of dividend payments and allow it to resume its role of corporate raider at a time of great global opportunities.

Shamrock, which has a 2 per cent stake in Brierley, narrowly won a proxy battle on Tuesday that ousted the three Brierley directors at the annual meeting.

Mr Cushing, who was appointed to the board following the meeting at the invitation of Camerlin, Brierley's largest shareholder with a 20 per cent stake, said he was keen to see the company make a fresh start.

Mr Cushing was optimistic he could overcome boardroom divisions, but he added: "There's an awful lot of work to be done to put the roof back on Brierley."

Sir Ron Brierley, founder and former chairman, said he would work closely with Mr Cushing and that a "couple of years or so down the track", he foresaw a merger with Guinness Peat Group, his UK investment company.

Notice of a Meeting
of the holders of the outstanding
U.S. $100,000,000
4 per cent. Convertible Bonds due 2008
of
N.T.S. Steel Group Public Company Limited
(the "Company")

Notice is hereby given that a Meeting of the holders of the above Bonds (the "Bondholders") will be held at the offices of the Company at 19th Floor, UM Tower, 9 Ramkhamhaeng Road, Suankuang, Bangkok 10250, Thailand on 11 December 1998 at 10.00 am (Bangkok time) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed (the "Trust Deed") dated 16 December 1993 made between the Company and The Law Debenture Trust Corporation p.l.c. (the "Trustee") as trustee for the Bondholders.

EXTRAORDINARY RESOLUTION

"That this Meeting of the holders of the outstanding U.S.$100,000,000 4 per cent. Convertible Bonds due 2008 (the "Bonds") of N.T.S. Steel Group Public Company Limited (the "Company") constituted by the Trust Deed dated 16 December 1993 (the "Trust Deed") made between the Company and The Law Debenture Trust Corporation p.l.c. (the "Trustee") as trustee for the holders of the Bonds (the "Bondholders") hereby:

(i) authorizes the Trustee to enter into a standstill agreement in the form of the draft produced to the Meeting and for the purposes of identification initialled by the Chairman (with such amendments to it as the Trustee shall consider not materially prejudicial to the Bondholders) (the "Standstill Agreement") pursuant to which the Bondholders, the Trustee and the Company agree that, as part of the Company's process of restructuring of its credit facility and current debt and arranging for a new working capital facility,

(I) any payments of principal, interest, penalty or other fees and payments (the "Obligations") which have become due or will become due during the period from 11 December 1998, the date of the Meeting, (or such later date as the Extraordinary Resolution shall be passed) to 31 December 1998 or, in the event the Thai banks party to the Credit Facility Agreement dated 20 April 1990 with the Company agree to extend the standstill period relating thereto to 31 March 1999 or thereafter and the Company delivers to the Trustee a copy of the agreement that provides such extension, 31 March 1999 (the "Extension Period") in respect to the Bonds shall be deferred until the termination of the Extension Period; and

(II) neither the Trustee nor any Bondholder shall take any action, legal or otherwise, initiate any proceedings against the Company and/or its guarantors for payment of any of the Obligations, or exercise its rights under the default provisions of the Bonds during the Extension Period,

(III) where any Bond matures prior to the last day of the Extension Period, the term of such Bond will be deemed to have been extended so that it matures on the last day of the Extension Period.

(IV) for the duration of the Extension Period, a temporary waiver shall be granted with respect to any past or subsisting (as at the date hereof) or continuing breaches or defaults by the Borrower in respect of the Bonds or the Deed.

Provided that the Standstill Agreement includes the following conditions:

(1) the Company undertakes to prepare and submit to the Trustee for distribution to the beneficial holders of the bonds, on a monthly basis, a summary of its cash position. In addition, the Company shall provide a copy of any restructuring plan and any amendment thereof to the Trustee for distribution to the beneficial holders of the bonds upon its availability from the Company's financial advisor;

(2) if legal actions or cases are filed in any court against the Company by any other creditors who are not parties to the Standstill Agreement, and such findings would constitute an Event or Potential Event of Default under Condition 10, the Trustee and the Bondholders shall be entitled to initiate or proceed with enforcement of their respective rights under the terms and conditions of the Bonds and the Trust Deed against the Company;

(3) the Company, during the Extension Period, will not make payments or transfer any property (by way of a security interest or otherwise) to any other creditor of the Company other than on a pro rata basis, provided, however, that the Company may continue to access, use and operate its existing operating bank accounts under the Revolving Credit Line Facility Agreement dated 2 July 1993 with certain Thai banks within its current credit line to maintain and sustain its day-to-day business operations during the Extension Period, including payment of trade creditors in the ordinary course of business in connection with such day-to-day business operations,

(4) in the event of breach of any material terms and conditions of the Standstill Agreement by the Company, the Trustee and the Bondholders shall be entitled to initiate or proceed with enforcement of their respective rights under the Bonds and the Trust Deed against the Company;

(5) the Trustee and the Bondholders shall not be precluded from exercising any of their respective rights under the terms and conditions of the Bonds and the Trust Deed or under applicable laws upon the expiration of the Extension Period;

(6) the terms and conditions of the Bonds and the Trust Deed shall remain in full force and effect in all respects as expressly stated in the Standstill Agreement and, until the expiration of the Extension Period, the Standstill Agreement shall be considered to be part of the terms and conditions of the Bonds; and

(7) all the foregoing terms and conditions of the Standstill Agreement as approved and sanctioned by the passing of this Extraordinary Resolution shall become effective from 11 December 1998 (or such later date as this Extraordinary Resolution shall be passed provided that substantially all other creditors of the Borrower, other than small trade creditors, have signed similar Standstill Agreements) and shall continue as such until the expiration of the Extension Period;

(ii) requests the Trustee to enter into the Standstill Agreement to effect the terms and conditions outlined in (i) above;

(iii) discharges and exonerates the Trustee from any liability to Bondholders in respect of acting in accordance with this Extraordinary Resolution.

Background

In an effort to develop and implement a restructuring/refinancing plan, N.T.S. Steel Group Public Company Limited (the "Company") has recently engaged McDonald & Company Securities Inc., ("McDonald") as its financial advisor. McDonald is currently conducting its due-diligence process and is developing a comprehensive financial and cash flow forecast. Consequently, the Company is requesting that all lenders, noteholders and bondholders grant a grace period to the Company for all outstanding debt and interest obligations.

The Company has accordingly convened a Meeting of the Bondholders by the above Notice for the purposes set out in this Notice.

In accordance with normal practice, the Trustee expresses no opinion on the merits of the Extraordinary Resolution.

The attention of Bondholders is particularly drawn to the quorum required for each Meeting and for an adjourned Meeting which is set out in paragraph 5 of "Voting and Quorum" below.

Copies of the Trust Deed (including the Terms and Conditions of the Bonds) and the draft Standstill Agreement will be made available for inspection, and Proxy Appointment Instruction Forms, referred to below will be available for collection, by Bondholders at the specified offices of the Principal Agent, the Registrar and the Paying, Conversion and Transfer Agents during normal business hours.

Barclays Nominees (Provincial) Limited ("Barclays") holds the Bonds as nominee for the Clearing Systems (described below) and has no beneficial interest in the Bonds.

VOTING AND QUORUM

1. A holder of a Bond may, by executing and delivering a form of proxy in the English language to one of the offices specified below of the Principal Agent or the Paying, Conversion and Transfer Agents not less than 24 hours before the time fixed for the Meeting, appoint a proxy.
2. A holder of a Bond which is a corporation may by resolution in the English language of its directors or other governing body delivered to one of the offices specified below of the Principal Agent or the Paying, Conversion and Transfer Agents not less than 24 hours before the time fixed for the Meeting, appoint a person to act as its representative in connection with the Meeting. Barclays as registered holder of the Global Bond on behalf of the Clearing Systems (as defined below) is the only Bondholder for the purposes of paragraphs 1 and 2.
3. Those who hold their interests in Bonds through Cedel Bank, société anonyme or Morgan Guaranty Trust Company of New York as operator of the Euroclear System (each a "Clearing System") and who wish to attend and vote at the Meeting should contact the relevant Clearing System to make arrangements to be appointed as a proxy in respect of the Bonds in which they have an interest for the purpose of attending and voting at the Meeting.
   Those who hold their interests in Bonds through a Clearing System and who wish to vote at but do not wish to attend the Meeting should contact the relevant Clearing System to arrange for another person to be appointed as a proxy in respect of the Bonds in which they have an interest to attend and vote at the Meeting on their behalf or to make arrangements for the votes relating to the Bonds in which they have an interest to be cast on their behalf by the Principal Agent acting as a proxy.
4. For the purposes described in paragraph 3 above, Proxy Appointment Instruction Forms are available for collection from the specified offices mentioned above, on which there is provision for directing the appointment of yourself, your nominee or an employee of the Principal Agent as Proxy in respect of the Bonds in which you have an interest, and to direct the manner in which the votes are to be cast.
   Please note that no such instructions may be given, altered or withdrawn later than 48 hours before the time appointed for the Meeting or adjourned Meeting.
5. The quorum required is two or more persons present in person holding Bonds or being proxies or representatives and holding or representing in the aggregate not less than 66 per cent. in principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed). If within 15 minutes for the time fixed for the Meeting a quorum is not present the Meeting shall stand adjourned for such period, not being less than 14 days nor more than 42 days, and to such time and place, as may be appointed by the Chairman of the Meeting. At any adjourned such Meeting, the quorum shall be two or more persons present in person holding Bonds or being proxies or representatives and holding or representing in the aggregate not less than 33 per cent. in principal amount of the Bonds for the time being outstanding.
6. Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting, the Company or the Trustee or by one or more persons holding one or more Bonds or being proxies or representatives and holding or representing in the aggregate not less than two per cent. in principal amount of the Bonds for the time being outstanding. On a show of hands every person who is present in person and produces a Bond or is a proxy or representative shall have one vote. On a poll every person who is so present shall have one vote in respect of each Bond of U.S. $1,000 principal amount so produced or in respect of which he is a proxy or representative.
7. To be passed, the Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the votes cast. If passed, the Extraordinary Resolution will be binding on all the Bondholders, whether or not present at the Meeting and whether or not voting.

Trustee
The Law Debenture Trust Corporation p.l.c.
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5 Carmelite Street
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16 Avenue Marie-Therese
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120 Wall Street
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12 November 1998

Asahi takes Super Dry back to its roots

By Alexandra Harney

Asahi Breweries, the Japanese brewer, will bring history full circle when it launches next month its Super Dry beer in Germany, the country that pioneered the modern brewing process.

The Japanese brewer, which launched Super Dry in China this year with great success, said the move was prompted by the globalisation of the culture of beer drinking.

It hopes to sell 16,000 cases in Germany next year, and will expand marketing to Austria and Switzerland soon afterwards through a tie-up with a subsidiary of Binding-Brauerei, a German brewing group.

Asahi markets its beers in 12 countries in Europe, including the UK and France, and the agreement will strengthen its distribution network in the region.

Initially, the beer will be brewed in Japan and shipped to Germany, but the company said it planned to make a much greater investment in the European market "very soon", most likely within the year.

Selling Japanese beer to Germans was like selling ice to Eskimos, Asahi admitted.

"We recognise that Germany is a country with a very long tradition of beer drinking, and it may be very difficult to increase our sales in Europe," it said.

The group has dramatically expanded its market share over the past 10 years and domestic shipments of Super Dry have increased every month for the past three years.

So far this year, Asahi's beer sales have improved 9 per cent, in spite of a slump in the domestic market. In September, it controlled 42.6 per cent of the Japanese beer market, *up 6.3 per cent from* a year before.

The move reflects Japanese beer companies' recent enthusiasm for the German beer-drinking lifestyle. Themed beer halls serving traditional German food have flourished amid growing interest in European culture.

However, domestic beers still remain the most popular among Japanese drinkers.

East Japan Railways posts 4% decline at interim stage

By Alexandra Harney in Tokyo

East Japan Railways, Japan's largest railway company, revealed that it had not been knocked off track by the domestic economic and financial problems yesterday when it reported a 4 per cent fall in first-half pre-tax profits from Y61.48bn to Y59.03bn ($482m).

The group said that recent changes in its management structure and bullet train operations had contributed to the drop in profits.

Sales were down by 1.2 per cent from Y974.37bn to Y962.98bn, reflecting a slight decline in passenger volumes, analysts said.

After-tax earnings slid 25 per cent to Y24bn, just below expectations.

Douglas Hayashi, industry analyst at HSBC Securities in Tokyo, said most of the deterioration in earnings could be explained by accounting changes in response to revisions to Japanese tax laws.

The group had also raised the amount of severance reserves as part of a move toward US accounting standards, he said.

The group expects a moderate decline in full-year turnover, from Y1,946bn to Y1,921bn. Pre-tax profits for the 12 months to March would improve from Y87.24bn to Y88bn on the back of a recovery in bullet train volumes, the group said. However, net profits are expected to slip 9.2 per cent to Y45.6bn as a result of extraordinary losses.

JR East, like other Japanese railway groups, is absorbing the one-off costs of retirement allowances as part of its staff-cutting scheme.

The group announced it would maintain its Y2,500 dividend. Shares in JR East closed unchanged at Y735,000.

GERMANY FOURTH LARGEST BANK SURPRISES AFTER HELP FROM ASSET DISPOSALS

Strong third quarter at Commerzbank

By Tony Barber in Frankfurt

Commerzbank, Germany's fourth largest bank, surprised investors yesterday with healthy third-quarter net profits that appeared to owe much to the sale of various undisclosed assets.

The bank said both net and pre-tax profit totalled DM387m ($230m) in the June-September period, blunting the impact of financial crises in Russia and Asia. It expected better full-year results than in 1997.

The performance stands in contrast to those of its German rivals and appears to confirm that Commerzbank has been less exposed than other banks to the effects of risky investments.

In the past two weeks, Deutsche Bank reported a slide in third-quarter net profits to DM147m; Dresdner Bank announced an operating loss of DM56.6m; and Bayerische HypoVereinsbank revealed extra risk provisions of DM3.5bn.

However, analysts said Commerzbank's results *would almost certainly have* been worse without what the bank called "income from the disposal of share stakes".

The nature of these stakes was not made public, but *Commerzbank said* group net income from financial investments had risen 10.2 per cent, from DM647m in the first nine months of 1997 to DM713m in the same period of this year.

By contrast, trading profits fell 18.8 per cent from DM621m to DM504m, and nine-month pre-tax profit declined more than 15 per cent from DM2.2bn to almost DM1.87bn.

Unlike Deutsche and Dresdner, Commerzbank *avoided* exposure to Long-Term Capital Management, the US hedge fund saved from collapse in September by a $3.5bn bail-out.

However, like its rivals, *Commerzbank was caught* up in this year's troubles in Russia and Asia. It said yesterday it expected to increase its loan-loss provisions for the whole of 1998 to DM1.6bn. Its nine-month results reflect DM1.2bn of that amount.

"The economic difficulties in many developing countries, and the international financial crisis, had an effect on the group's third-quarter results," the bank said.

Martin Kohlhaussen, Commerzbank chairman, said Russia, which declared an effective debt moratorium last August, presented more complicated problems than Asian countries such as *South Korea and Thailand*, which already had the worst behind them.

But he said Commerzbank had been involved only on the edges of the Russian crisis and had been careful not to invest in rouble-denominated securities or to engage in derivatives trading with Russian partners.

In Frankfurt, Commerzbank shares closed DM1 higher at DM53.50. Traders said the market was looking at Commerzbank positively *because of the cross-shareholding* agreed this week with the Italian insurer, Assicurazioni Generali. The deal should enable it to offer products to a wider range of customers in Germany.

See Lex

Saudi prince buys into Nigerian bank

By Joel Kibazo

Prince Al Waleed Bin Talal Bin Abdulaziz Al Saud, the *Saudi Arabian investor* noted for his investments in several international companies, yesterday signalled his first direct move into Nigeria by acquiring a stake of just under 10 per cent in United Bank for Africa, the country's third largest bank.

The move came nearly 18 months after he said he planned to make significant investments in Africa over a *five-year period that could* amount to $1bn.

The prince, who has made investments in Euro Disney and CitiCorp, bought the stake through Kingdom Holdings, his private company that was the vehicle for other international investments. The price was not disclosed.

He bought the stake from Banque Nationale de Paris, *which decided to sell its 30.7* per cent holding in the Nigerian bank as part of a policy to sell off investments in companies in which it does not have a controlling stake.

The acquisition makes the prince one of the two biggest investors in United Bank for Africa, which was privatised in 1994. However, he will have no management *involvement*.

BNP, an investor in the bank for 37 years, sold its holding through a Global Depositary Receipt programme that was structured by Afrinvest, the London-based investment banking firm.

The remaining 20 per cent of the stock was bought by emerging market funds and financial institutions from *the UK, US and Zimbabwe*.

Abba Kyari, managing director of United Bank for Africa, said: "Our new investors give the bank greater credibility. It is also a vote of confidence in Nigeria as things begin to change."

Crown rejects Packer link-up

Crown, the Australian casino operator, yesterday rejected an offer by Kerry Packer, the Australian businessman, to inject A$425m (US$265m) into the debt-ridden company in return for half of its profits, reports *Reuters in Melbourne*.

Mr Packer's Consolidated Press Holdings proposed the joint venture in September but last month said a deal would go ahead only if the state of Victoria lowered tax rates on Crown's gaming revenue and eased restrictions on its business.

Lloyd Williams, Crown chairman, said the board rejected the plan because it did not want to give what was effectively a "free option" to Mr Packer pending a decision by the state gaming authority on changing Crown's licence terms.

CPH is seeking lower tax rates, more freedom to choose the mix of gaming tables and slot machines, and a longer licence period.

The Victorian Casino and Gaming Authority is expected to make a decision on the requests by March.

Lloyd Williams: did not want to give Mr Packer 'free option' Reuters

Crown, which has debts of A$1bn, was last year hit by a *sharp drop in turnover from* Asian gamblers. It reported a net loss of A$350m, including asset write-downs for the year to June. Last month, it posted a A$9m net profit for the first quarter of this year.

Mr Williams said the board would probably have to decide within 12 months on an alternative way of raising new capital.

"This is fundamentally a good business with a bad balance sheet. They don't need the A$425m," said a Sydney gaming analyst.

Crown's shares ended the day down 3.5 cents at 42.5 cents.

Focusing on family origins helps boost earnings at CIR

By concentrating on core businesses Cir has eliminated debt, writes **Paul Betts**

There is, it would seem, life after Olivetti for Carlo De Benedetti's family controlled holding company, Cir.

After divesting its large stake in Olivetti, the Italian information technology and telecommunications group at the heart of Mr De Benedetti's empire for almost two decades, and its interest in Valeo, the French car components company, Cir has reverted to its family company origins.

The past two years have been a period of intensive refocusing on its three businesses: publishing, components and industrial machinery. Debt has been eliminated and the chain of control within the group has been simplified with the purpose of returning Cir to profit and releasing value for shareholders.

The group last week reported a sharp rise in nine-*month pre-tax profits* to L297.8bn ($179m), from L3bn in the same period last year. This included special gains totalling L228.8bn from the sale this year of its Sasib Railway subsidiary to GEC Alsthom and the disposal of its remaining stake in Olivetti; without these, pre-tax earnings totalled L69bn.

And, with the recent partnership agreement with BAA, the UK group that is the world's largest private airport operator, Mr De Benedetti and his son Rodolfo, Cir chief executive, has put the group back on *the acquisition trail*.

The joint venture with BAA was formed to take advantage of the imminent privatisation of Italian airports. The Treasury is due to sell its remaining 55 per cent stake in Aeroporti di Roma.

Milan authorities are also expected to privatise the city's new Malpensa airport and the old Linate airport. Other regional airports are also likely to be privatised. Naples is already controlled and managed by BAA.

But the decision to bid for Italian airports business marks a change in Cir's investment approach. "As a family controlled group, we prefer not to get involved too much in global businesses, which we feel are best left to very large companies," explains Rodolfo De Benedetti.

The younger Mr De Benedetti says globalisation is all very well for large companies, providing them with long-term growth opportunities. However, *it opens them* to risks out of their control and harder to manage for smaller companies, which lack the resources to fund their global requirements.

Cir *felt airport privatisation* in Italy offered an opportunity to invest in a local business in which it could provide added value. "Airports are a high cash-generating business, and what attracted us was the opportunity to get our hands on an asset previously run by the public hand and manage it more efficiently," says Mr De Benedetti.

However, Cir is expected to face intense competition from other private companies. *Benetton, the clothing* company, and Marco Tronchetti Provera, chairman and largest shareholder of the Pirelli tyre and cables group, have joined forces to bid in the forthcoming airport privatisations. Other Italian entrepreneurs, such as fashion designer Nicola Trussardi, are also planning to enter the fray.

Although Cir feels it is in a strong position with BAA, it is keeping other options open. "As liberalisation gathers pace in Italy we see lots of other opportunities to compete in local service activities," says Mr De Benedetti.

While seeking investment opportunities, Cir has also been busy buying back non-voting savings shares. Since *January, it* has spent more than L100bn buying back 70m savings shares. Later this month it will seek court approval to cancel these shares to reduce its capital, following shareholder approval last week.

'As a family controlled group, we prefer not to get involved too much in global businesses, which we feel are best left to very large companies'

If the court approves the capital reduction, Mr De Benedetti believes Cir could set an important precedent for other Italian companies to buy back and cancel their savings shares. This form of equity – which offers investors a higher dividend yield but no voting rights – has become an increasing burden for Italian companies at a time of historically low Italian interest rates.

CIR's voting shares carry a 5 per cent dividend on their L1,000 nominal value (or L50 a share), compared with current Treasury bond yields of under 4 per cent.

For the past four loss-making years, Cir has not paid any dividends – but, according to Mr De Benedetti, the restructuring, refocusing and return to profit has created the conditions to start paying a dividend for 1998.

That meant Cir would have to pay not only the 1998 dividend on savings shares but also, under Italian legislation, the dividends it omitted on these shares during *the past two years* – a total of L150 a share and an 11 per cent yield on the savings shares' current market price of about L1,450.

CGU aided by rises in life and savings units

By Andrew Bolger

CGU, the UK's largest composite insurer, brought some relief to the beleaguered insurance sector yesterday by reporting stronger than expected growth in its life and savings businesses.

However, CGU – formed in June from the merger of Commercial Union and General Accident – confirmed it was facing adverse trading conditions in the general insurance market.

Last week Royal & Sun Alliance, a rival composite, alarmed the market when it reported unexpectedly high underwriting losses, particularly in the commercial property market. Yesterday CGU's shares rose 36p to 929p and RSA's recovered 17p to 513p.

CGU's pre-tax operating profit in the nine months to September fell from £746m to £435m ($722m), before merger integration costs of £105m.

Bob Scott, chief executive, said: "There was a strong performance from our substantial life and savings businesses . . . although group results were affected by difficult trading conditions in general insurance."

A £134m increase in severe weather claims and price competition reduced profits from general insurance to £287m, compared with £592m in the same period last year. The underwriting loss of £581m represented 9 per cent of premiums, compared with 4 per cent last year. Claims from the October storms in the UK are estimated to be £25m, which will be included in the fourth quarter results.

Mr Scott said: "Premium rate increases and other actions to improve profitability are being implemented, especially in the UK."

CGU's life and savings business, which accounted for some 46 per cent of the group's sales, made strong progress. Life profits of £340m were 16 per cent higher.

Net assets per ordinary share at September 30 were 629p, compared with 609p in December 1997.

PHARMACEUTICALS CASH CALL SHOWS UP PROBLEMS IN BIOTECHNOLOGY SECTOR

Hefty discount for PPL rights

By Virginia Marsh

PPL Therapeutics, the company famous for cloning Dolly the sheep, yesterday provided an illustration of the problems besetting both the new issues market and the quoted UK biotechnology sector with a rights issue priced at a 33 per cent discount.

The Edinburgh-based company said it was raising £20.4m ($33.9m) net through a 6-for-5 rights issue of 27.01m shares at 80p. This compares with a share price of 120p on Tuesday and with a high of 487p two years ago, shortly after the company floated at 450p. Yesterday, the shares fell 7½p to 112½p, an all-time low.

"This is a very hefty discount indeed and highly dilutive", said Nick Woolf at BancBoston Robertson Stephens. "The company is a victim of the weakness we've seen in the sector in the past 18 months. It was pushed into a tight corner because the market knew it had to raise cash."

The new issues market has all but dried up in recent weeks because of the turmoil in international financial markets while valuations in the biotechnology sector have dropped in the wake of the British Biotech affair. Although the sector has begun to recover in the past month, shares in PPL had continued to drift because the market knew a cash call was imminent.

The move follows a £7.5m placing by Therapeutic Antibodies, another UK biotechnology company, at a discount of 53 per cent, two weeks ago. But analysts pointed out that PPL, one of the best known companies in the sector, had achieved its targets and had not encountered the management and other problems TAb had.

Ron James, PPL's managing director, said the company – which clones animals and changes their genes so that human proteins appear in their milk – had considered delaying the issue but could see no benefit in doing so.

The rights issue is underwritten by BT Alex Brown.

Pepsi woos Cadbury franchisee

By John Willman in Dallas

Cadbury Schweppes, the confectionery and beverages group, has hit a problem in its plan to create a nationwide bottling operation to distribute its soft drinks in the US.

Jim Turner, the owner of one of the biggest franchises, covering the lucrative Texas and Southern California markets, is being wooed by PepsiCo.

Cadbury's plan involves merging dozens of smaller bottlers with regional franchises for Cadbury's Dr Pepper/Seven Up brands so as to create a US distributor able to compete with Coca-Cola and Pepsi-Cola.

But Mr Turner has been asked by Roger Enrico, PepsiCo's chief executive, to head its new bottling operation, due to be floated off next year.

Mr Turner's company bottles more than 10 per cent of Cadbury's US volumes, including the flagship Dr Pepper in Texas where it was invented.

More than 40 per cent of Dr Pepper/Seven Up drinks are distributed by independent bottling companies such as Mr Turner's, with the rest handled by Coke or Pepsi bottlers.

With fears about the future of contracts with Coke and Pepsi bottlers, Cadbury has started to consolidate the independents to create its own "route to market".

This year, it was behind the merger of two Midwest bottlers to form American Bottling Company which handles 12 per cent of its volumes. Cadbury paid $120m for a 40 per cent stake in ABC.

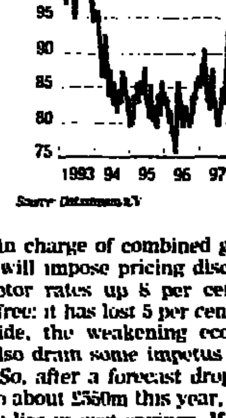
If PepsiCo succeeds in recruiting Mr Turner, one of Cadbury's most important franchises could be controlled by one of its chief competitors.

COMMENT

CGU

After the nasty surprise from Royal & Sun Alliance, CGU, the UK insurer, earned a pat on the back simply for being no worse than expected. But in truth, the newly merged group offered cold comfort on the general insurance side. Nine-month underwriting losses more than doubled to £581m, evidence of excess capital being squandered on unprofitable business. It takes time to stop that rot, and the economic slowdown in the UK and North America will ensure that consumers continue to shop around. The main hope is that the stronger management teams now in charge of combined groups, such as Bob Scott's at CGU, will impose pricing discipline. CGU says it has pushed motor rates up 8 per cent, for instance. But this is not pain-free: it has lost 5 per cent of its customers. On the claims side, the weakening economic outlook is ominous. It may also drain some impetus out of the life and savings market. So, after a forecast drop of 40 per cent in operating profits to about £550m this year, CGU's best hope for recovery in 1999 lies in cost savings. If it can rake in close to £150m – out of the £270m eventually promised – this would be good going.

Insurance sector
Relative to the All-Share (FTSE indices)



Source: Datastream/ICV

While the equity market recovery has eased concern about asset values, the risk remains that this bounce-back is short-lived. This means that those insurers with restructuring gains up their sleeves – such as CGU, Allied Zurich and AGF of France – look the safer bets.

Cable & Wireless

The trips to Milan were fun, but the shopping too leisurely for the restless Richard Brown of Cable & Wireless. Telecom Italia, consumed with its internal wranglings, is not best placed now to further C&W's ambitions in continental Europe. C&W's losses in these tough markets go back as far as most analysts' models. But it may yet have the last laugh, if in its next foray the company avoids getting entangled in a loose alliance between big operators.

A sharper plan may be to emulate Colt's success with the corporate market. Yesterday's results showed C&W gradually – and successfully – weaning itself off its over-reliance on Hong Kong. Its US strategy has gained much needed credibility with its Internet acquisition. Its UK businesses are improving. All eyes are on C&W's European progress.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
British Energy	6 mths to Sept 30	935	(871)	97♥	(114♥)	9.4	(11.3)	5.3	Jan 28	4.9	-	14.7⁑
Burtonwood Brewery	6 mths to Sept 26	24.3	(22.7)	2.35♠	(2.08)	7.7	(6.8)	2.12	Feb 25	2	-	6.3
Buraden Leisure☆	Yr to June 30	16.9	(5.35)	4.71L♠	(4L♥)	4.03L†	(9.12L)	nil	-	nil	nil	0.5
Cable and Wireless	6 mths to Sept 30	4,336	(3,903)	1,122♥	(1,116♥)	26.2	(35.4)	4.1	Mar 1	3.75	-	12.25
Cadcentre	6 mths to Sept 30	8.8	(8.25)	1.37	(0.841)	5.03	(3.33)	1.6	Jan 29	1.2	-	3.6
CGU★	9 mths to Sept 30	11,868	(11,087)	581♠	(1,314)	25.15	(69.2)	-	-	-	-	-
Cranswick	6 mths to Sept 30	69.1	(75.1)	2.43	(2.12)	11.6	(10.2)	3.6	Jan 29	3.25	-	11.5
Electrocomponents★	6 mths to Sept 30	330.3	(319)	53.4	(52.4)	8.5	(8.4)	3.25	Jan 25	2.8	-	9
Express Dairies★★	6 mths to Sept 30	389.2	(382.5)	26.6	(24.1)	6.2	(5.6)	3.3	Mar 30	3.1	-	7.9
Fenner	Yr to Aug 31	285.1	(266.7)	15.2♠	(18.5♠)	7.23†	(12.22)	3.7	Jan 18	3.5	5.6	5.3
GWR	6 mths to Sept 30	41.2	(35.2)	8.3	(6.1)	5.1	(3.9)	1.6	Jan 12	1.3	-	3.4
Helicon PublishΦ‡	6 mths to Sept 30	1.6	(0.872)	0.166L	(0.104L)	2.8L	(1.8L)	-	-	-	-	-
McCarthy & Stone	Yr to Aug 31	107.1	(88.3)	28.5	(20.5)	17.2	(12)	3.5	Jan 4	2.34	4.5	3
Partners Holdings	28 wks to Oct 10	18.3	(16.5)	1.17L	(0.064L)	5.7L	(0.2L)	0.5	Dec 31	0.5	-	1.5
Pilkington Tiles	6 mths to Sept 30	19.7	(11.6)	1.56♠	(0.323L♠)	0.6†	(0.3L)	-	-	-	-	-
Silk Industries	6 mths to Aug 31	8.93	(8.49)	0.274	(1.12)	1.6	(6.8)	1	Jan	2	-	7
Shire Pharm	9 mths to Sept 30	56.4	(22.2)	6.21	(0.58L)	3†	(1.5L)	-	-	-	-	-
Smith (WH)☆☆	15 mths to Aug 31	3,456	(2,763)	257♥	(51♠)	77	(8.6)	11.5	Jan 29	10.4	20.75⁂	15.65
Volex	6 mths to Sept 30	101.8	(93.9)	7.89	(7.3)	18.7	(17.4)	8.2	April 6	7.75	-	22.5
Westmount Energy Φ	Yr to June 30	0.205	(0.382)	0.223	(0.211)	1.8	(1.4)	-	-	-	-	-
Whitbread Mann	6 mths to Sept 30	13	(10.4)	1.63♠	(1.58)	7.19	(6.53)	3.6	Jan 15	3	-	7.5

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Broadgate	Yr to Sept 30	191.66	(201.54)	0.227	(0.168)	4.51	(3.32)	2.6	Dec 18	2.2	2.6	2.2
F&C Emerging	Yr to Sept 30	49.16	(157.19)	2.13L	(4.13L)	1.13L	(2.19L)	nil	-	nil	nil	nil
German Smaller	6 mths to Sept 30	-	(-)	0.444	(0.328)	1.1	(0.8)	-	-	-	-	0.6
Scottish Value	Yr to Sept 30	127.91	(143.24)	1.98	(2.59)	4.17††	(5.19)	1.25	Jan 8	1	2.25	2

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. ⁑Excludes 10p special. ☆Comparatives for 14 mths to June 30 1997. ★Comparatives restated. ★★Comparatives pro forma. ☆☆Comparatives 12 mths to Aug 31 1997. ‡Comparatives 3 mths to Sept 30 1997. ⁂Includes additional 4p. ††On decreased capital.

British Energy seeks purchases

By Andrew Taylor

British Energy, the nuclear generator battling with Electricité de France to buy London Electricity, is also on the prowl to buy coal-fired power stations in the UK and more nuclear plant in the US.

The British group, which yesterday reported better than expected half-year profits, said that it was determined to buy a UK regional electricity supplier. It declined, however, to confirm that it had bid about £2bn ($3.3bn) for London Electricity.

Electricité de France is understood to have made a similar cash offer.

Entergy, the US group that bought London for £1.3bn in 1996, is understood to be holding off in the hope that one of the two groups will break the deadlock and make a higher offer.

Peter Hollins, British Energy's chief executive, said that the group had no gearing and could easily finance acquisitions in the UK and US from borrowings.

Profits before exceptional operating credits rose from £4m to £46m during the six months to September 30, prompting a further 37p rise in the shares to 620p.

Pre-tax profits, however, dipped from £114m to £97m.

C&W static at £1bn

Cable and Wireless, the UK's second largest telecommunications group, has reduced its dependence on overseas subsidiaries, especially Hongkong Telecom, for revenues and profits, writes Alan Cane.

Results for the six months to September 30 showed revenues outside Hong Kong now represent almost 70 per cent of the total, against 30 per cent four years ago. HKT, in which it has a majority stake, used to account for virtually all C&W's income: now the proportion is down to 56 per cent of operating profits.

Pre-tax profit in the six months was £1.12bn ($1.85bn), essentially the same as last time. Turnover, including share of joint ventures, was £4.34bn (£3.9bn).

C&W invested £2.3bn during the half.

Shares regain on the swings most of what they had lost on the big slide

Philip Coggan looks at the stock market sectors that have been *showing renewed signs of life after the July-October correction*

The rally in the UK market, which saw the FTSE 100 index gain almost 1,000 points in a month before the burst of profit-taking last week, took many analysts by surprise.

It is true that, at the start of October, shares looked cheaper relative to bonds than at any time for a generation.

Nevertheless, profits forecasts for 1999 still look too high and even while the overall market has been rising, trading sessions have been punctuated with announcements from a host of companies, including blue chips such as Marks and Spencer and Shell, that have failed to match expectations.

One of the themes of the rebound has been that some of the stocks that were most battered in the July-October correction have been able to regain a lot of the lost ground.

Leading the rally has been the banking sector, which had been marked down in the face of its exposure to hedge funds and Russia, and because of fears that a UK recession would prompt a surge in bad debts. Having dropped 35.5 per cent between July 20 and October 5, the retail banking sector has jumped 32.1 per cent since then.

At the forefront have been the two banks with strong Asian links, Standard Chartered and HSBC, which were marked down heavily on fears that the Hong Kong government would be forced to devalue its currency. A rebound in the yen helped stave off that prospect and has allowed interest rates to fall in Hong Kong and the local stock market to leap ahead. Standard Chartered shares were 80 per cent ahead at one point, although they failed to regain their July level.

Another group that suffered heavily in the correction was Amvescap, the only fund management company in the FTSE 100. Its shares were hit by fears that the stock market sell-off in the US would provoke redemptions by mutual fund holders and that the company was exposed to Long-Term Capital Management, the troubled hedge fund. A reassuring results statement has helped the shares to rally 65.8 per cent.

Helping the financial sector along, of course, has been the decision of the Bank of England to cut interest rates, first by a quarter-point in early October and then the second half-point reduction last week.

The loosening of monetary policy has also given a lift to the cyclical sectors, which had been marked down heavily on fears of a deep UK and worldwide recession.

The Bank of England's loosening of monetary policy has given a lift to the cyclical sectors, which had been marked down heavily on fears of a deep UK and worldwide recession

Many economists are still concerned that the UK will see a decline in output next year, and are dubious about the government's 1-1.5 per cent growth forecast. But the action taken by the Bank of England, and other central banks such as the US Federal Reserve, at least means the authorities are acting to limit the damage.

The resurgence of cyclical stocks may also have owed something to the recognition that bad news was already priced into shares and that bargains might have been on offer. By October 5, the chemicals sector was trading on a price-earnings ratio of just 12 and a dividend yield of 5.7 per cent, 1 percentage point more than 10-year gilts.

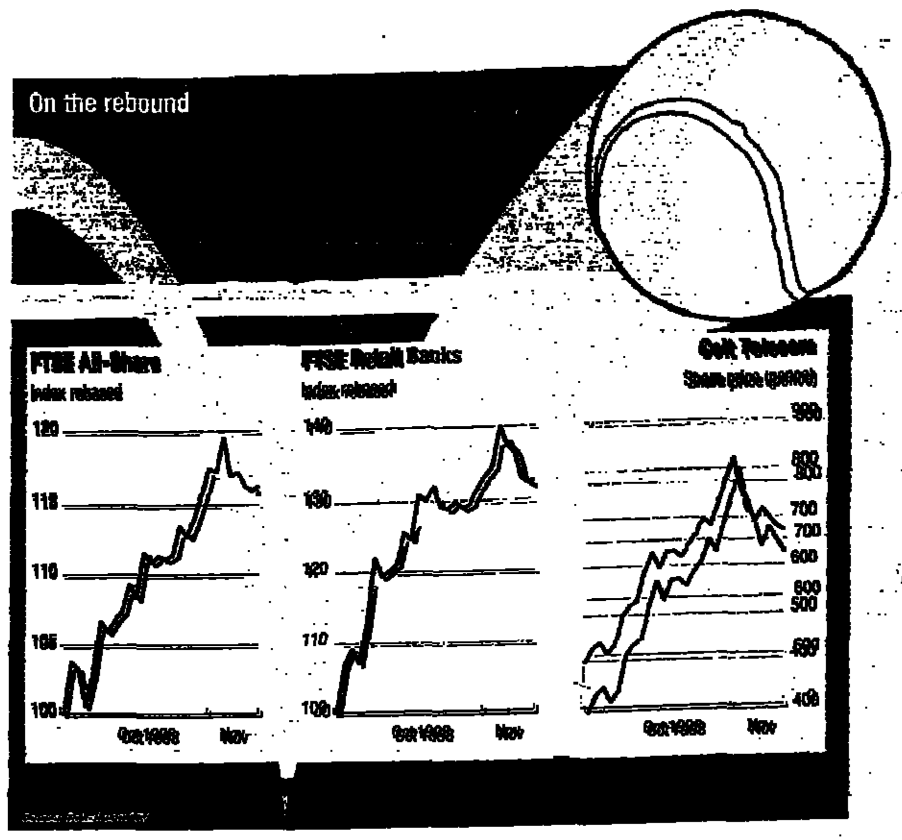
Chemicals have rebounded 24.9 per cent since then and other economically sensitive sectors, such as engineering and building materials, had also managed gains of about 20 per cent.

The third group of stocks which have been in the vanguard of the rally are the telecommunications companies and in particular Colt, up 70.9 per cent since October 5. While Colt is not expected to be profitable until 2002, its recent results – particularly in terms of sales – were much better than expected.

And the mobile phone companies, Vodafone and Orange, seem to offer a business that is fairly certain to deliver above-average growth for the next few years, whatever the economic climate. At a time when so much in the investment world seems uncertain, investors are willing to pay up for surefire growth.

But it has not been all good news for investors. A stream of gloomy reports from the retail sector, including this week's British Retail Consortium survey, indicates that the high street is now suffering some of the pain previously confined to the manufacturing sector. Six of the 13 Footsie stocks to fall in price since October 5 are retail groups.

And the corollary of the turnround in markets is that the stocks that held up best during the correction have started to underperform. The utilities sector gained 1.6 per cent during the bear phase but only 1.3 per cent during the rally, and contributes five of the 13 Footsie fallers. The regulators' unfavourable review of the water industry made it the worst single sector of the last month.



The turn of the utilities may come again. Many traders believe that the rally has owed much to a "bear squeeze" in which investors that were short of stock have desperately tried to close out their positions, thereby forcing share prices higher.

Such a technical rebound cannot last forever, and the slipping back of the FTSE 100 in the past few days may be a sign that the end has come.

Vultures block deal for Barings bondholders

By Clay Harris

Barings bondholders face a long and uncertain wait for payment, after US vulture funds which had bought the collapsed UK investment bank's securities at distressed prices voted yesterday to block a compromise settlement.

The scheme for partial payment of £190m ($315m) worth of Barings bonds and an end to litigation had been worked out in two years of negotiations conducted by the City Disputes Panel.

Its failure raises the prospect of years of litigation, between bondholders, two leading accountancy firms which audited Barings and its Singapore subsidiary, and ING Group, the Dutch financial services company which bought Barings in 1995 from the wreckage caused by Nick Leeson's derivatives trading.

Holders of $150m of floating rate notes issued by Barings in 1986 rejected the settlement by 55 per cent to 45 per cent at yesterday's meeting, the fourth and final attempt. The vulture investors – the Scoggin and Halycon funds, and funds managed by Franklin Mutual Advisers – decided against accepting payment of 60 per cent of the nominal value of FRNs.

They hope instead to win more through legal action, since their securities have a higher legal priority in the Barings liquidation than the £100m of perpetual notes issued in 1994 that were to be paid 23.6 per cent of nominal value.

Wilbur Ross of Rothschild Inc, the investment bank advising the vulture funds, said the vote should end any doubt about his clients' determination. The amount of money on offer was too small – a "substantial modification" was needed – and the distribution was unfair to FRN holders.

Coopers & Lybrand, auditors of Barings and of its Singapore subsidiary BFS in 1994, and Deloitte & Touche, BFS's auditor in 1993, had together contributed £33m towards the aborted £59m settlement, and are firm that this was their best offer.

Richard Murray, legal adviser to Deloitte and Touche Singapore, said: "Opportunists seeking a market-based windfall have defeated the collective will of all the parties, including the nearly unanimous support of the creditors who suffered the Barings loss."

LEGAL NOTICES

Company No.2712980

Notice of resolution for payment out of capital

POMPHREY OF SITTINGBOURNE LIMITED

NOTICE IS HEREBY GIVEN in accordance with section 175 of the Companies Act 1985 that on the 6th November 1998 the above named company ("the Company") approved a payment of £70,875 out of Capital for the purpose of redeeming 709 of its own redeemable preference shares; that the statutory declaration and auditors' report required by section 173 of the Companies Act 1985 are available for inspection at the Company's registered office at 6th Floor, Thavies Inn House, 3-4 Holborn Circus, London, EC1N 2HL; and any creditor of the Company may at any time within the 5 weeks immediately following the aforementioned date of the resolution for payment out of capital apply to the Court under section 176 of the Companies Act 1985 for an order prohibiting the payment.

DATED the 6th day of November 1998

DAVID POMPHREY
DIRECTOR

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Prices for Trading on 12.11.98 — Final Prices for Trading on 15.10.98

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	20.80	11.18	11.31	0.85
0100	20.80	9.50	9.50	0.00
0130	18.97	11.68	11.78	0.85
0200	18.97	11.68	11.78	0.85
0230	18.97	15.00	15.12	0.85
0300	18.97	15.00	15.12	0.85
0330	18.97	11.42	11.55	0.85
0400	9.33	11.42	11.55	0.85
0430	9.35	11.42	11.55	0.85
0500	9.32	11.42	11.55	0.85
0530	9.33	15.26	15.38	0.85
0600	9.36	15.26	15.38	0.85
0630	12.87	15.26	15.38	0.85
0700	20.56	15.47	15.59	0.85
0730	26.56	20.54	20.67	0.85
0800	26.56	25.80	25.94	0.85
0830	21.13	28.70	28.84	0.85
0900	22.69	28.70	28.85	0.85
0930	93.02	21.09	21.23	0.85
1000	93.02	21.10	21.24	0.85
1030	93.02	20.58	20.72	0.85
1100	93.02	22.28	22.43	0.85
1130	29.16	22.31	22.46	0.85
1200	26.17	28.75	28.90	0.85
1230	53.21	28.74	28.90	0.85
1300	53.21	28.72	28.88	0.85
1330	33.04	22.26	22.40	0.85
1400	33.04	22.24	22.37	0.85
1430	33.04	22.23	22.36	0.85
1500	33.04	22.23	22.36	0.85
1530	33.06	20.67	20.80	0.85
1600	28.35	20.54	20.67	0.85
1630	50.82	20.57	20.71	0.85
1700	70.49	22.29	22.44	0.85
1730	83.41	22.29	22.44	0.85
1800	75.88	22.31	22.47	0.85
1830	65.18	28.70	30.16	0.85
1900	48.04	57.38	57.85	0.85
1930	37.95	57.38	57.82	0.85
2000	29.29	58.42	56.73	0.85
2030	35.59	28.73	28.89	0.85
2100	33.10	20.90	21.04	0.85
2130	33.10	20.67	20.80	0.85
2200	28.10	15.26	15.38	0.85
2230	20.46	15.47	15.59	0.85
2300	20.46	15.26	15.38	0.85
2330	20.46	14.47	14.59	0.85
2400	20.46	15.03	15.16	0.85

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.80/MWh becomes 1.680p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of recovering the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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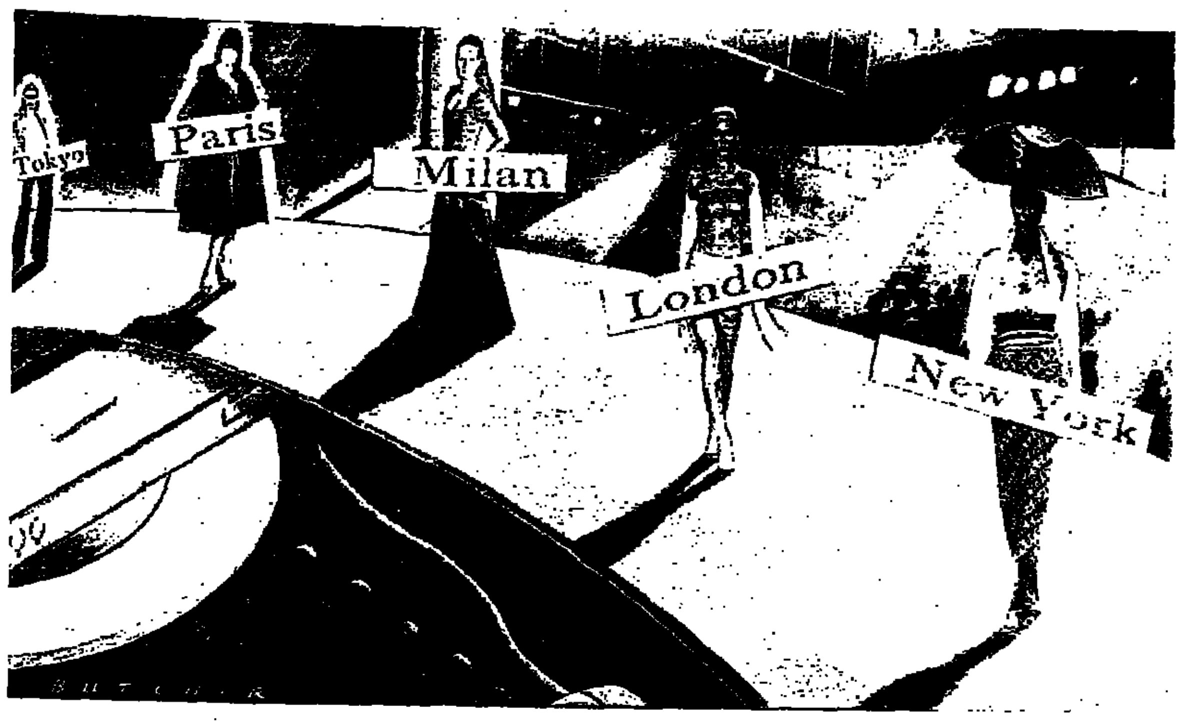


INFORMATION TECHNOLOGY FASHION INDUSTRY

Catwalk wakes up to cutting edge cybertalk

Jenny Benjamin trawls a database that provides information about the latest trends, shows and suppliers worldwide and that is becoming an indispensable tool

Information is the lifeblood of the fashion industry. Your Italian rival's latest collection, what the coolest kids are wearing in Manhattan, the twinkle in Galliano's eye that will be next winter's look – fail to find out about them fast enough and you will not survive.

Manufacturers and retailers send their design staff around the world to find out what is on the catwalks, at the trade fairs and in the shop windows, and many companies spend thousands of pounds annually on forecasting services. Rag trade desperados have resorted to theft as the quickest way to preview a big-name designer's latest creations.

Using IT to speed the flow of knowledge seems an obvious move. But until the launch of the Worth Global Style Network, founded earlier this year by Marc and Julian Worth, two brothers from Nottingham, no one had attempted it in earnest.

Now, with customers in 30 countries and a take-up rate of 90 per cent among fashion houses that have been offered it, the network is becoming an important tool for all strata of the industry, except perhaps the designer upper crust.

Within its 135,000 pages of information, Worth offers complete photographic records and videos of catwalk shows; city-by-city What's in Store reports; detailed forecasting for all sectors including home style; an events calendar listing shows, exhibitions and store openings; daily news and longer, discursive features.

Individual photographs can be enlarged and details highlighted, forecast colours can be checked using a colour marker system known as Pantone numbers, and everything can be printed out and used in presentations.

Reports on fashion's big four – New York, London, Paris and Milan – are updated monthly. Other cities, such as Los Angeles, Tokyo or Stockholm, get a quarterly update.

'We have tried to make this untechnical... fashion people are scared of computers'

For Cathy Bonner, design director at JAK Holdings, a UK garment manufacturer, the service with the most potential is the international resource directory.

"It enables me to find, say, a dyeing house in Germany, or a suiting manufacturer in Bavaria with very little trouble," she says. "When the city reports become more sophisticated, the network will probably save us a bit on travel, but it could save us a lot on sourcing fabrics and technical services."

Ms Bonner says she will use the Worth bulletin board for the same purposes and, she hopes, eventually for recruitment. Next year, the service will go multilingual, starting with Japanese and Chinese, then adding Italian, Spanish and French. Financial information will also start appearing next year.

Worth began as an internet site, but its graphics load made it very slow, so it was decided to offer daily satellite broadcasting as a more rapid form of transmission. Worth installs the dish and server, and connects them to a system of dedicated monitors. Flat screens that can be wall-mounted, so as not to crowd existing facilities, are planned for the near future, as is a change in the timing of the daily update, from overnight to 3pm UK time.

The satellite service costs £5,500 a year for a single user, rising to £14,000 for a five-seat licence. Internet prices are, naturally, lower.

After six months, takers include Courtaulds, Sears, Coats Viyella, Marks and Spencer, and the Arcadia Group in the UK; Karstadt in Germany; and Tommy Hilfiger, Liz Claiborne, JC Penney, Lee and Levi Strauss in the US.

To date, the project has cost $5m (£2.9m), all raised privately. It employs 45 full-time staff in London, 23 in design, and the rest in sales, IT or administration. Abroad, Worth uses accredited fashion or business journalists as well as its own agents.

The Worth brothers also own Heatseal, a company specialising in fashion-related graphics, and at first saw the internet as a means of publicising unsold designs. Although Marc Worth has 22 years' experience of the fashion industry, he was an IT novice until only two years ago.

That has perhaps been to the network's advantage: "We have tried to make this as untechnical as possible, because we know that in general, fashion people are scared of computers," he says. "We have not designed this for the internet. We have said to the designers: 'Create what would be useful to you, and we'll deliver it'."

INFORMATION TECHNOLOGY BRIEFS

Carbon nanotube breakthrough paves way for flat screens

A breakthrough in carbon nanotube technology may accelerate development of televisions and computer monitors that are flat enough to be hung on the wall, suggests research announced in Science, the journal.

Researchers at the University of Buffalo have found a way to grow perfectly aligned arrays of the tiny, elongated tubes of carbon on glass, at relatively low temperatures.

That may make it possible to exploit the nanotubes' strength, stability and excellent electron-emission capabilities in flat panel displays. The nanotubes, which act as electron emitters, could be as little as 1mm from the screen.

Past attempts to grow nanotubes have required high temperatures and have tended to yield a jumbled mass of the tubes. The Buffalo researchers believe that their results were achieved by using ammonia, rather than nitrogen, as a catalyst.

University of Buffalo: US, tel 7166452626; goldbaum@buffalo.edu

Cancer research uses arsenic

Arsenic shows promise as a treatment for a form of leukaemia, according to research that originated in China.

Scientists at the Memorial Sloan-Kettering Cancer Center in the US have investigated the impact of low doses of arsenic trioxide on cancer patients, following research findings announced by Chinese scientists two years ago.

A pilot study indicated that patients who were severely ill with acute promyelocytic leukaemia (APL), a potentially fatal type of cancer that affects blood and bone marrow, were brought into remission by the arsenic, according to a report in the New England Journal of Medicine.

The arsenic trioxide was able to kill cancerous cells that cause APL, including those that have become resistant to conventional drugs. Researchers are continuing clinical trials on patients with APL. They also plan to explore arsenic's effectiveness in treating other forms of cancer.

Memorial Sloan-Kettering Cancer Center: tel 2126393573; http://www.mskcc.org/

Pin-art provides moulding tool

Researchers at the University of Warwick in the UK have used the principles behind the "pin-art" executive toy to make an industrial moulding tool.

The pin-art device is a box holding an array of moveable blunt pins. When a shape – such as a human hand or face – is pushed against the pins they stick out on the other side of the box, forming a relief mould of raised pins.

The Warwick Manufacturing Group has adapted this idea to create a reusable mould. The mould consists of a precise network of pins covered by a flexible plastic sheet. The pins can be manipulated to pull the sheet into the shape of any component that the company wishes to mould. When the process is complete, the pins and covering sheet can be reset to zero.

Warwick Manufacturing Group, UK, tel (0)1203 523784; http://www.warwick.ac.uk/

Computers with a classy chassis: self-braking cars draw closer

Extra eye on the road ahead

Cars may one day carry computers that will automatically slam on the brakes in an emergency, says Daimler-Benz. It is developing a computerised system that would respond if a pedestrian stepped into the road, or the car was exceeding the speed limit.

The technology depends on a data processing system capable of selecting relevant information from a camera that scans the road ahead. The computer has been trained by example to recognise its surroundings and to register abnormal situations. The data processing technique – which is described as "seeing without computing" – is faster and cheaper than conventional approaches, according to the Daimler-Benz researchers.

Daimler-Benz: Germany, tel 7111793271; http://www.daimler-benz.com/

Vanessa Houlder

EURO PRICES

EQUITIES

Positive earnings power bourses

EUROPEAN OVERVIEW

By Philip Coggan, Markets Editor

Corporate earnings have been a regular concern for European investors recently but yesterday the news from the sector was fairly positive, allowing the region's bourses to move ahead.

There were respectable numbers from Schering and Commerzbank in Germany and from British Energy and CGU in the UK. An upbeat statement from the US chipmaker Intel lifted Europe's technology stocks.

A strong performance by Asian bourses gave markets an early boost, but gains were fairly limited with Paris and Brussels closed for armistice day.

The FTSE Eurotop 100 index rose 12.75 or 0.5 per cent to 2,478.38 while the broader Eurotop 300 gained 5.99 or 0.6 per cent to 1,079.21. The FTSE Ebloc 100 index, which focuses on the core euro zone countries, was up 4.01 at 893.26.

The day's best performing sector was tobacco, which jumped 3.3 per cent on hopes of a settlement to the long-running litigation battle in the US. BAT was Ecu 0.4 higher at Ecu 7.33.

Pharmaceuticals were up 0.7 per cent on the back of the Schering results, with the company itself Ecu 3.9 higher at Ecu 99.13.

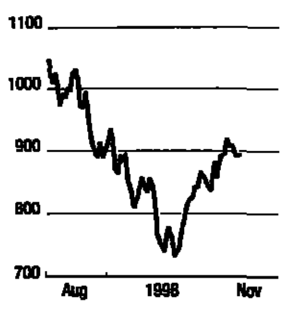
Inflation figures from France and Germany earlier in the week, together with some weak recent German growth numbers, have re-opened the question of whether the European monetary authorities will be flexible enough to head off a deflationary threat.

"Euroland could well be headed for a Volcker-Reagan-style policy clash," said James Montier, global strategist at BT Alex Brown. "Our scenario goes like this: *hard-headed central bankers* refuse to cut rates, especially given political pressure, for fear of damaging their credibility.

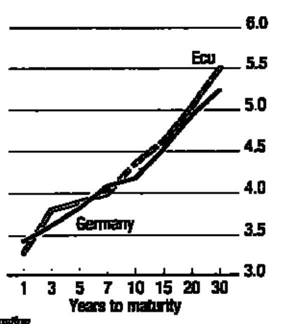
"The leftwing governments respond by easing fiscal policy, but not enough to stave off a slowdown. Tax revenues fall, unemployment rises, bond yields rise. Governments start hitting their limits under the stability pact."

Mr Montier concluded: "The European central bank refuses to condone fiscal profligacy and raises rates. The result is that the euro soars and Euroland is plunged into recession."

FTSE Ebloc 100
Index



Bond yield curve
Per cent (November 11 1998)



Source: FTSE International, Interactive Data/FT Information

THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.375	96.385	-0.005	96.375	96.365	60	9874
Mar	96.610	96.590	-0.020	96.610	96.595	145	6120
Jun	-	96.615	-0.025	-	-	0	2199
Sep	-	96.610	-0.025	-	-	0	1307

THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
96500	0.010	0.030	0.180	0.205	0.145	0.165	0.090	0.115
96625	0.005	0.010			0.265	0.270		

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	2506.0	2493.0	+21.0	2512.0	2506.0	79	6966
Mar	-	2501.5	+21.0	-	-	0	1080

EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

	2400 C	2400 P	2425 C	2425 P	2450 C	2450 P	2475 C	2475 P	2500 C	2500 P	2525 C	2525 P	2550 C	2550 P	2575 C	2575 P
Nov	91	37	75	45	60	55	48	68	35	82	25	98	19	116	14	136
Dec	159	88	135	97	119	107	106	118	92	130	80	143	68	157	42	189

Est vol total:230. Prev day's open interest total: 5,413. Premiums shown are based on settlement prices.

OTHER INDICES

	Nov 11	Nov 10	Oct 9	1998 High	1998 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	2970.94	2949.31	2980.49	3670.82	2433.07	3670.82	2433.07
DJ Euro Stx 50	2935.14	2918.94	2957.79	3658.48	2419.23	3658.48	2419.23
MSCI Europe	(u)	1078.41	1088.74	1315.55	906.59	1315.55	510.78

Source: Extel/part of FT Information. *Subject to revision next day. (u) unavailable.

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

November 11

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Ecu)
FTSE Eurotop 300	1079.21	+0.56	+5.99	2.54	30.04	1116.09
FTSE Eurotop 100	2478.38	+0.52	+12.75	2.57	37.56	887.51
FTSE Ebloc 100	893.22	+0.45	+4.01	2.37	14.33	905.97
FTSE Eurotop 300 Regions						
Eurobloc	1123.78	+0.47	+5.23	2.24	20.87	1147.03
UK	1014.37	+0.47	+4.72	3.00	49.18	1080.17
Europe Ex-Eurobloc	1044.44	+0.65	+6.78	2.86	38.09	1092.28
Europe Ex-UK	1117.01	+0.60	+6.71	2.31	19.38	1137.30
FTSE Eurotop Industry Sectors						
RESOURCES	837.72	-0.13	-1.10	3.39	29.22	876.02
Extractive Industries	785.84	-1.04	-8.27	4.37	14.54	802.43
Oil, Integrated	807.84	-0.09	-0.71	3.35	21.73	827.40
GENERAL INDUSTRIES	972.69	+0.60	+5.78	2.87	20.31	992.27
Construction	925.85	-0.50	-4.69	3.00	11.06	936.61
Building Matls & Merchs	869.20	+0.16	+1.35	2.57	8.96	876.71
Chemicals	815.96	-0.10	-0.85	2.95	17.45	830.37
Diversified Industrials	891.31	+0.05	+0.40	2.66	17.48	906.60
Electronic & Elect Equip	838.95	+2.00	+16.45	1.98	5.41	843.52
Engineering	819.44	+0.14	+1.18	4.01	11.68	829.41
Paper, Pckg & Printing	783.72	+1.55	+11.95	2.98	1.21	784.70
CONSUMER GOODS	1122.93	+0.79	+8.83	1.67	49.50	1186.97
Automobiles	784.07	-0.09	-0.69	3.32	10.25	791.34
Alcoholic Beverages	875.07	+1.96	+16.83	3.03	296.79	1303.61
Food Producers	950.23	+0.51	+4.83	1.59	9.79	959.33
Household Goods & Texts	953.74	-0.32	-3.03	1.99	7.88	960.89
Healthcare	906.71	+0.64	+5.78	1.28	13.51	920.28
Pharmaceuticals	987.82	+0.73	+7.18	1.30	5.27	993.16
Tobacco	1247.00	+3.29	+39.76	4.03	15.88	1264.14
SERVICES	1105.61	+0.60	+6.63	2.12	22.57	1136.01
Distribution	779.82	+0.64	+4.92	2.79	11.37	788.58
Leisure & Hotels	710.51	-1.50	-10.82	3.47	12.27	719.80
Media	962.21	-0.03	-0.32	2.29	10.68	972.48
Retailers, Food	*1009.08*	*+0.51*	*+5.16*	*2.02*	*14.17*	*1023.67*
Retailers, General	925.57	+0.75	+6.87	3.39	19.32	943.51
Telecommunications	1021.35	+1.00	+10.08	1.88	13.02	1033.77
Breweries, Pubs & Rests	739.50	-0.33	-2.41	3.80	16.00	752.58
Support Services	917.65	-0.09	-0.81	1.60	9.87	927.39
Transport	923.18	+0.53	+4.84	2.65	18.24	940.20
Information Technology	881.10	+1.32	+11.51	0.41	2.33	883.19
UTILITIES	1415.80	+0.75	+10.59	3.10	55.82	1495.00
Electricity	1060.72	+1.05	+11.06	3.28	38.23	1089.05
Gas Distribution	1146.59	-0.14	-1.60	1.61	93.32	1262.47
Water	1055.36	+0.74	+7.70	4.78	38.72	1095.67
FINANCIALS	1134.49	+0.52	+5.83	2.87	27.32	1164.83
Banks, Retail	777.72	+0.47	+3.62	3.74	12.96	788.16
Insurance	890.98	+0.88	+7.79	1.55	11.79	901.73
Life Insurance	1041.68	-0.14	-1.46	1.86	12.98	1055.21
Other Financial	820.06	+0.38	+3.11	2.35	15.95	833.77
Investment Companies	896.61	+0.41	+3.69	1.52	20.66	913.37
Property	714.85	-1.54	-11.18	3.42	16.01	727.99

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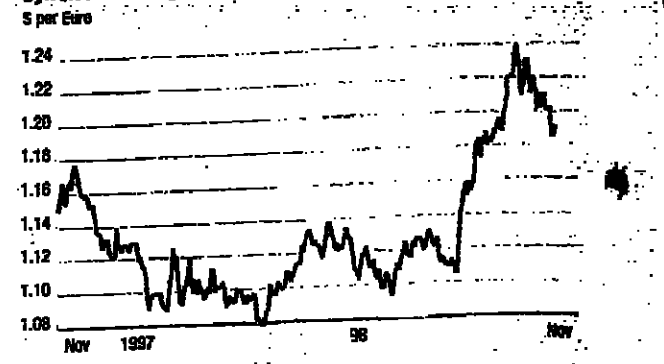
CURRENCIES & MONEY

FT SYNTHETIC EURO RATES

Nov 11	Currency code	Closing mid point	Change on day	Change on day%	Change on week	Change week %
Europe						
Austria	ATS	14.053064	+0.0015	+0.01	+0.0004	+0.00
Belgium	BEF	41.203724	-0.0102	-0.02	-0.0071	-0.02
Czech Republic	CZK	35.322493	+0.1311	+0.37	-0.1616	+0.46
Denmark	DKK	7.594006	+0.0011	+0.02	-0.0008	-0.01
Finland	FIM	6.074038	-0.0007	-0.01	-0.0011	-0.02
France	FRF	6.697093	-0.0008	-0.01	-0.0010	-0.01
Germany	DEM	1.997454	+0.0002	+0.01	-0.0000	+0.00
Greece	GRD	335.892577	-2.1147	-0.63	-0.3797	-0.11
Hungary	HUF	257.898179	+0.4739	+0.18	+0.7731	+0.30
Ireland	IEP	0.802770	+0.0001	+0.01	+0.0003	+0.04
Italy	ITL	1975.862574	-0.0084	+0.00	+0.4578	+0.02
Luxembourg	LUF	41.203724	-0.0102	-0.02	-0.0071	-0.02
Netherlands	NLG	2.252042	+0.0005	+0.02	-0.0001	+0.00
Norway	NOK	8.868393	-0.0055	-0.06	-0.0255	-0.29
Poland	PLN	4.092403	+0.0161	+0.33	-0.0077	-0.19
Portugal	PTE	204.739188	-0.0498	-0.02	+0.1627	+0.08
Romania	ROL	11755.915173	+58.8565	+0.50	-18.6150	-0.15
Russia	RUB	19.280772	+0.0081	+0.04	+0.5779	+3.09
Slovakia	SKK	43.080145	+0.3557	+0.83	+0.5672	+1.33
Spain	ESP	169.801713	-0.0236	-0.01	-0.0255	-0.02
Sweden	SEK	9.483164	+0.0506	+0.54	+0.0841	+0.89
Switzerland	CHF	1.648149	+0.0007	+0.04	-0.0096	+0.59
United Kingdom	GBP	0.716483	+0.0031	+0.43	-0.0063	-0.87
ECU	ECU	1.015335	-0.0002	-0.02	-0.0030	-0.29
Americas						
Brazil	BRL	1.416780	+0.0042	+0.30	-0.0081	-0.57
Canada	CAD	1.840362	+0.0088	+0.48	+0.0167	+0.92
Mexico	MXN	11.914208	+0.0054	+0.05	+0.0170	+0.14
United States	USD	1.190171	+0.0042	+0.35	-0.0064	-0.54
Pacific/Middle East/Africa						
Australia	AUD	1.886997	-0.0145	-0.76	-0.0170	-0.89
Hong Kong	HKD	9.215495	+0.0360	+0.39	-0.0508	-0.55
Japan	JPY	144.952842	-0.2882	-0.20	+5.2779	+3.78
Singapore	SGD	1.984973	+0.0003	+0.02	+0.0225	+1.16
South Africa	ZAR	6.792307	+0.0910	+1.36	+0.1273	+1.91

Source: FTSE International Ltd. This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3364, FRF 0.2217, ITL 0.1823, NLG 0.0577, BEF 0.0386, ESP 0.0848, IEP 0.0116, PTE 0.0155, ATS 0.0328, FIM 0.0187.

Synthetic Euro against the dollar
$ per Euro



Source: FTSE International

EUROZONE CURRENCY CONVERGENCE

Bilateral conversion rates against the D-Mark

Nov 11	Fixed rate	Market rate	Diff fxd v mkt%	Week ago %	Forward rate	Forward int rate	Diff int rate v DEM
Austria	7.03552	7.0355	+0.00	-0.01	7.0349	3.53	-0.06
Belgium	20.6255	20.628	+0.01	+0.03	20.6263	3.53	-0.06
France	3.35386	3.3538	-0.03	-0.02	3.3525	3.52	-0.07
Finland	3.04001	3.0409	+0.03	+0.05	3.0409	3.59	+0.00
Ireland	0.402676	0.4019	-0.19	-0.23	0.4021	3.96	+0.37
Italy	990.002	989.1859	-0.08	-0.11	990.1592	4.32	+0.73
Luxembourg	20.6255	20.628	+0.01	+0.03	20.6263	3.53	-0.06
Netherlands	1.12674	1.1275	+0.07	-0.07	1.1271	3.33	-0.26
Portugal	102.505	102.4996	-0.01	-0.09	102.4999	3.91	+0.00
Spain	85.0722	85.0086	-0.07	-0.06	85.049	3.94	+0.35
Germany	1		+0.00	+0.00		3.59	+0.00

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2-3. forward rates are exchange rates to 31/12/98 interpolated from market quotes; forward interest rates are those implied by these forward exchange rates. Diff int rates v DEM are differences between implied forward interest rates and the DEM forward interest rate for 31/12/98. DEM forward interest rate for 31/12/98 is calculated by interpolation between published BBA market fixings.

BONDS

INTEREST RATE SWAPS

Nov 11	D-Mark Bid	D-Mark Ask	Ecu Bid	Ecu Ask	£ Stlg Bid	£ Stlg Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	3.55	3.58	3.64	3.68	6.37	6.40	5.02	5.05	0.36	0.39
2 year	3.58	3.61	3.62	3.66	6.12	6.16	5.01	5.04	0.44	0.47
3 year	3.67	3.70	3.69	3.73	6.10	6.14	5.10	5.13	0.55	0.58
4 year	3.81	3.84	3.83	3.87	6.08	6.12	5.17	5.20	0.65	0.68
5 year	3.97	4.00	3.98	4.02	6.05	6.09	5.21	5.24	0.76	0.79
6 year	4.12	4.15	4.13	4.17	6.01	6.05	5.27	5.30	0.86	0.89
7 year	4.26	4.29	4.27	4.31	5.97	6.01	5.33	5.36	0.98	1.01
8 year	4.38	4.41	4.39	4.43	5.93	5.97	5.40	5.43	1.09	1.12
9 year	4.48	4.51	4.49	4.53	5.91	5.95	5.47	5.50	1.21	1.24
10 year	4.57	4.60	4.58	4.62	5.90	5.94	5.52	5.55	1.32	1.35
12 year	4.73	4.76	4.74	4.78	5.88	5.93	5.68	5.71	1.54	1.58
15 year	4.92	4.95	4.92	4.96	5.86	5.92	5.81	5.84	1.76	1.80
20 year	5.12	5.15	5.12	5.16	5.83	5.90	5.93	5.96	1.95	2.00
25 year	5.26	5.29	5.26	5.30	5.82	5.89	5.93	5.96	2.03	2.08
30 year	5.33	5.36	5.33	5.37	5.80	5.88	5.96	5.99	2.11	2.16

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months LIBOR. £ and Yen quoted on a semi-annual actual/365 basis against 6 months LIBOR. D-mark and Ecu quoted on annual bond 30/360 basis against 6 month LIBOR with the exception of the 1 year rate which is quoted against 3 months LIBOR. Source: Intercapital Brokers Ltd.

EUROZONE CORPORATE BONDS

Nov 11	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Ecu
Sovereign Fungible Issues								
Belgium (Kingdom of)	03/08	5.750	N/A	110.090	4.41	+0.01	-0.12	+0.06
France (Rep of)	04/08	5.250	AAA	107.430	4.27	+0.00	-0.15	-0.08
Italy (Rep of)	05/08	5.000	AA	104.100	4.46	+0.00	-0.28	+0.11
Portugal (Rep of)	06/08	5.375	AA-	106.117	4.57	+0.01	-0.06	+0.22
Euro Issues								
Abbey Natl Treas Srv	02/03	4.875	AA	103.400	3.99	+0.00	-0.12	+0.10
Gen Electric Cap Crp	10/04	5.500	AAA	107.610	4.02	+0.01	-0.13	+0.06
Oest Kontrollbank	04/06	5.250	AAA	104.550	4.64	+0.00	-0.04	+0.29
Cred Local de France	04/08	5.250	AA+	103.950	4.72	+0.01	-0.20	+0.37
Ecu Issues								
Bayer Hypo & Wch Bk	07/01	5.000	AA-	102.490	3.98	+0.01	+0.02	+0.18
Cred Foncier France	03/04	8.375	A	118.141	4.47	+0.01	-0.10	+0.51
Euro Inv Bank	04/04	5.250	AAA	106.470	3.90	+0.00	-0.21	-0.0[illegible]
ABN Amro Hldg. NV	04/07	6.375	AA-	110.420	4.84	+0.01	-0.42	+0.68

Source: Interactive Data/FT Information. London closing. Fungible bonds issued in tranches by Euro "in" sovereigns and fungible into one big Euro issue 1/1/99. Euro issues are issued in the new currency. Ecu bonds are issued in Ecus but convert to Euros 1/1/99

GOVERNMENT BOND SPREADS vs ECU

Nov 11	2 yrs	5 yrs	7 yrs	10 yrs	20 yrs	30 yrs
"INs"						
Austria	-0.05	+0.03	+0.24	+0.04	-0.43	-0.01
Belgium	-0.11	+0.02	+0.17	+0.10	+0.00	-0.09
Finland	-0.16	+0.09	+0.26	+0.20	-0.49	-0.95
France	-0.17	-0.09	-0.06	-0.06	-0.04	-0.26
Germany	-0.16	-0.07	+0.09	-0.18	-0.10	-0.27
Ireland	+0.04	-0.03	+0.12	+0.13	+0.14	+0.37
Italy	+0.10	+0.12	+0.24	+0.21	+0.17	+0.04
Luxembourg	-0.11	+0.02	+0.17	+0.10	+0.00	-0.09
Netherlands	-0.11	+0.01	+0.12	-0.08	+0.07	-0.29
Portugal	-0.06	+0.08	+0.33	+0.17	+0.25	+0.04
Spain	-0.19	+0.00	+0.30	+0.24	+0.12	-0.02
"OUTs"						
Denmark	+0.37	+0.41	+0.49	+0.32	+0.03	+0.40
Greece	+6.67	+4.99	+4.07	+3.36	+2.43	+1.96
Sweden	+0.33	+0.41	+0.54	+0.35	+0.20	-0.27
UK	+1.83	+1.13	+1.13	+0.71	-0.09	-0.79

Source: Interactive Data/FT Information. Table takes common convention constant maturity treasury yield curves for each currency and compares to the constant maturity Ecu curve to calculate a spread.

EUROZONE CREDIT SPREADS vs ECU

Nov 11	S & P rating	Red date	Coupn	Currency code	Spread	Spread wk ago	Spread mth ago
KFW	AAA	01/09	5.000	DEM	+0.15	+0.16	+0.08
France Telcom	AA+	11/06	6.250	FRF	+0.11	+0.21	+0.22
Halifax	AA	07/07	5.625	DEM	+0.47	+0.36	+0.42
Ing Bank NV	AA-	01/08	5.500	NLG	+0.25	+0.15	+0.19
Bayer Hypo W Bk	AA-	02/02	6.750	ITL	+0.29	+0.28	+0.20
Cred Foncier	A	02/03	7.250	DEM	+0.38	+0.48	+0.83
Thomson-Brandt Int	A-	03/04	6.375	FRF	+0.51	+0.50	+0.48
Generale des Eaux	N/A	03/04	6.250	FRF	+0.41	+0.39	+0.42
Bank of China	BBB	07/99	7.125	DEM	+2.11	+2.20	+2.93
Natl Bk of Hungary	BBB-	06/01	9.000	ATS	+1.02	+1.02	+2.08
Korea Dev Bank	BB+	11/02	5.625	FRF	+6.29	+6.49	+7.53
Argentina	BB	04/08	8.125	XEU	+5.03	+5.64	+5.74

Source: Interactive Data/FT Information. Table shows yield spreads to the Ecu curve for issues of a broadly representative credit in each rating band denominated in Euro "in" currencies.

FTSE EUROTOP 300

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
ALCOHOLIC BEVERAGES					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AUTOMOBILES					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BANKS RETAIL					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BREWERIES, PUBS & RESTAURANTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BUILDING MATERIALS & MERCHANTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CHEMICALS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CONSTRUCTION					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DISTRIBUTORS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DIVERSIFIED INDUSTRIALS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ELECTRICITY					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ELECTRONIC & ELECTRICAL EQPT					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ENGINEERING					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EXTRACTIVE INDUSTRIES					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FOOD PRODUCERS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GAS DISTRIBUTION					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HEALTH CARE					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HOUSEHOLD GOODS & TEXTILES					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
INFORMATION TECHNOLOGY					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
INSURANCE					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
INVESTMENT COMPANIES					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LEISURE & HOTELS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LIFE INSURANCE					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MEDIA					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OIL, INTEGRATED					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OTHER FINANCIAL					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PAPER PACKAGING & PRINTING					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PHARMACEUTICALS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PROPERTY					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
RETAILERS, FOOD					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
RETAILERS, GENERAL					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SUPPORT SERVICES					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TELECOMMUNICATIONS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TOBACCO					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TRANSPORT					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WATER					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes: Price data and market capitalisations supplied by FTSE International. [illegible]

MOTOR INDUSTRY

On the road to price convergence

Conventional wisdom has it that car price discrepancies will narrow with the launch of the euro. Graham Bowley asks Volkswagen, Europe's biggest car manufacturer, what it thinks

The Euro is about to inject an important new element into one of Europe's biggest price controversies – that is it costs far more to buy a virtually identical model car in some countries than in others.

Conventional wisdom has it that the launch of European monetary union will bring enormous benefits for consumers in general, and car buyers in particular. Currency fluctuations, one of the most common justifications given by manufacturers for car price discrepancies, will disappear. Companies that now charge varying prices in different countries for what are essentially the same goods and services may be forced to harmonise their charge sheets once they are denominated in euros.

So what does Volkswagen, Europe's biggest car manufacturer, think will happen? It broadly agrees that prices will converge – though not immediately, and not completely, since tax and transport costs will maintain some differentials.

Customers should not immediately expect to pay the same price for their VW's across all European countries, says Manfred Löhr, who has led VW's team studying the impact of the euro since 1996.

VW has more reasons than most to think carefully about what the euro means for its business. It – and its Spanish subsidiary Seat division, its Czech subsidiary Skoda, the luxury car group Audi which includes Lamborghini, and now Rolls-Royce Bentley of the UK – has manufacturing sites in several European countries and significant sales in nations that will be part of the euro-zone, as well as in countries that will be on the outside.

Furthermore, in an important test case earlier this year the European Union fined VW Ecu102m (£71.60m) for competition abuses which contravened European single market rules. The European Commission found that the car-maker had ordered Italian dealers not to sell cars to buyers from outside Italy. Austrian and German citizens had tried to buy VW models in Italy where they were around 30 per cent cheaper.

The VW case underlines the fact that even before the coming of the euro there are pressures on vehicle manufacturers to bring their prices closer together. Despite apparent efforts by manufacturers to practice price discrimination, buyers can to some extent compare prices in different countries and shop across borders.

Mr Löhr points out that the internet is an important driving force behind convergence, since it broadens the information available to consumers. But the euro will give an extra push to this process.

"The car industry is going to be hurt. There will be greater price transparency. Prices are higher in northern Europe and once consumers there get wind of this there will be a move down in prices towards the southern countries," said Marcie Krempel, consultant at AT Kearney in London, who has studied the impact of the euro on European industry.

However, she thinks that companies in the short-term may try to exploit the confusion among consumers surrounding the single currency to raise prices.

VW has already begun to harmonise the prices it charges local dealers across Europe for new models like the Beetle and Golf, and this process is set to continue, says Mr Löhr.

'If we want to move towards price harmonisation we need to harmonise taxes. This is something we have taken up with the Commission'

But it is unlikely to lead immediately to a convergence of saleroom prices because differences in national tax regimes will remain after 1999.

At present there are wide differences in VW prices across Europe. A VW Golf in Denmark, for example, costs around twice as much as in Germany. According to Mr Löhr, this is because of Denmark's high relative consumption taxes and heavy taxes on luxury goods. Finland, Ireland, Portugal and the Netherlands are other high-tax, high-price countries.

In contrast, says Mr Löhr, VW cars cost much less in Germany, France, Belgium, Luxembourg and Spain.

"If we really want to move towards price harmonisation then we really need to harmonise taxes," he says. "This is something we have taken up with the European Commission."

According to a European Commission report in July, the selling price of the VW Polo varied by around one third across the EU, excluding Denmark, Greece and Finland: that of the VW Golf by even more.

The study found that Ford, Subaru and Alfa Romeo had the biggest price differences, while Audi, BMW and Mercedes-Benz had the smallest.

Nevertheless, Mr Löhr predicts that by the end of next year the prices charged for VW's cars will not vary by more than 5 per cent to 10 per cent across Europe, although he excludes from this high tax countries like Denmark.

Within two years he says, prices in the European car market will have converged to such a degree that cross-border trade will be wiped out, at least between those countries that have similar tax rates.

But this does not necessarily mean that car companies' profits will decline. There are situations where the euro could herald a rise in prices, says Mr Löhr. For example, in countries such as Spain, car prices can currently be cheaper because a lot of the special features common to German cars are optional extras.

However, after the introduction of the euro VW might find it more cost-effective to supply these features as standard across the whole of the euro-zone. The euro could then very well mean higher prices for consumers in these markets.

VW is spending around DM100m (£35.70m) preparing for the euro, much of it on converting computer systems to handle the new currency.

Unlike other big German companies, such as Daimler-Benz, VW will not be adopting the euro as its house currency from January 1, 1999.

"That will come later than 1999, but of course before 2002," says Mr Löhr.

The reason is purely technical, according to Reinhard Sieger, who works in sales and marketing at VW: "It is not that we do not want to do this, but we have to change our systems internally."

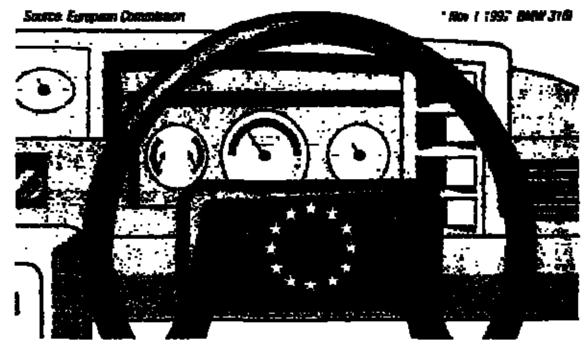
But VW will be more punctual with dual pricing: from January next year prices of VWs will be denominated in both the euro and local currencies, and customers can choose which to pay in.

This should make it easier for them to see how quickly car prices converge.

EU car price differences
Price disparities in ECUs at May 1 1998

Small segment		Medium segment		Large segment	
Opel Corsa	24.0%	VW Golf	43.5%	BMW 318i*	12.0%
Ford Fiesta	44.7%	Opel Astra	26.0%	Audi A4	13.0%
Renault Clio	33.8%	Ford Escort/Orion	33.8%	Ford Mondeo	58.5%
Peugeot 106	21.1%	Renault Mégane	27.9%	Opel Vectra	18.2%
VW Polo	36.7%	Peugeot 306	46.2%	VW Passat	36.4%

Source: European Commission
* Nov 1 1997: BMW 318



Legal contracts safe and sound?

A manager's guide to the euro

I've been told millions of legal contracts will be affected by the euro. Does this mean that after January 1, all contracts involving old currencies in the euro-zone will come to an end?

No. Relax. Some of the finest legal minds in the world have been grappling with the issue of continuity of financial and commercial contracts post economic and monetary union and after some considerable head scratching they have concluded that the legal framework created by the European Union for the introduction of the euro is sufficiently robust to prevent problems arising.

Legal framework?

Yes, European Council Regulations provide that the introduction of the euro will not have the effect of altering any term of a contract or of discharging or excusing the performance of any legal obligation. Nor will it give a party to a contract the right unilaterally to alter or terminate it. To preserve the principle of freedom of contract the regulations allow parties to agree any changes they choose.

Also the regulations provide that once the euro is substituted for the currencies of participating EU states at fixed rates on January 1, all references in contracts to national currencies will be replaced by references to euros. Similarly, references to Ecus will be replaced by references to euros at a rate of one euro to one Ecu.

Does this apply in countries not joining the single currency?

Yes, the regulations apply to all EU member states irrespective of whether they join. In the case of contracts governed by English law, the common law principle of continuity of contracts will apply. The English courts have made it clear in the past that as a matter of principle a currency change is not sufficient to frustrate a contract.

So, in theory, there is only a remote chance of financial and commercial contracts being terminated on the grounds that the currency change has made their performance impossible, or has so changed the circumstances that the contract is completely different from that contemplated by the parties.

In theory?

Instances of commercial contracts being frustrated by the currency change will be rare, although companies should be reviewing contracts which refer to the Ecu or a national currency which will be replaced by the euro and which will continue after January 1. Financial contracts may prove more problematic, however. The UK's Financial Law Panel, which looks at legal uncertainties that may cause problems for the London financial markets, has examined the issue and concluded there should be no problems. But it has identified issues which could cause problems for certain markets which it says participants need to keep an eye on.

Such as?

Such as the disappearance of indices used as reference points for setting interest rates – so-called price sources. The disappearance of price sources is relevant in the over-the-counter derivatives markets and might to a lesser extent also affect bond markets and possibly loan finance markets.

In most cases there will be an obvious successor for most rates. But where, for example, on a basis swap parties have agreed to exchange payments calculated by reference to the interest set on different bases, for example the three-month Libor rate for D-Marks and the three-month Paris inter-bank offered rate for D-Marks, after the D-Mark disappears neither rate is capable of calculation. Maybe substituting a three-month Libor euro rate and the three-month Euribor rate would be acceptable to the parties. But if they argued the substitution produced an economic result substantially different from that contemplated by the original contract it would be hard for the courts to disagree.

The Panel concluded the key to removing these difficulties was the development of market consensus on the replacement of those price sources which will disappear on January 1.

What about outside the EU?

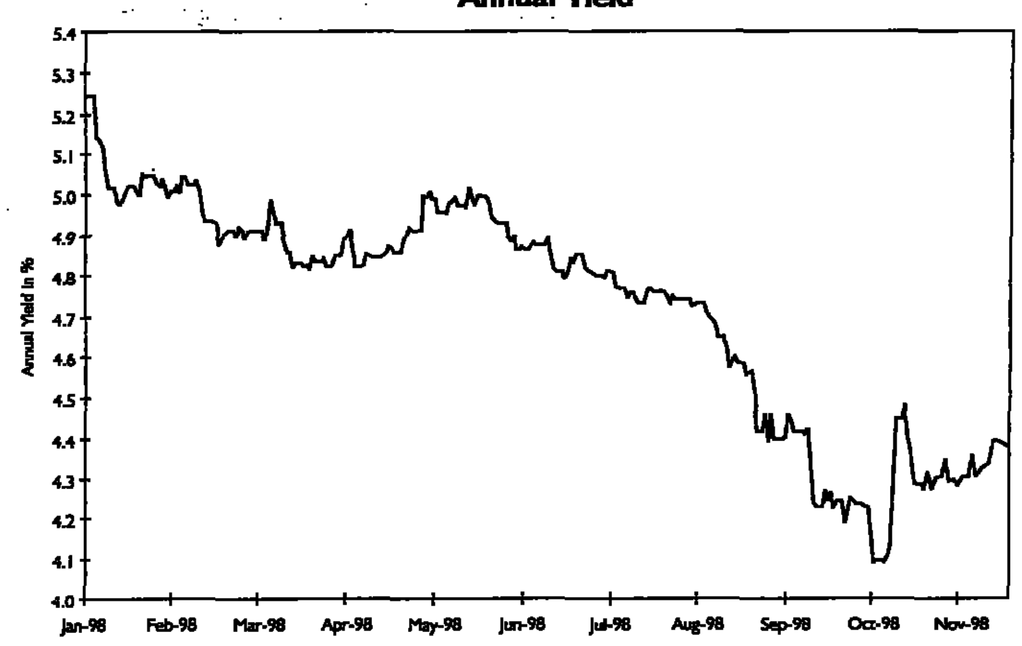
It is true that the European regulations do not change domestic contract law in countries outside the EU so although under international law a state is broadly required to recognise the currency of another state, there may be areas of uncertainty. Where for example contracts are denominated in a currency which will be replaced by the euro and governed by the law of a non-EU state, contracting parties will need to take legal advice on the impact of the change.

The position in the world's main financial centres is pretty clear. In New York, legislation has been passed amending the general obligations law and the uniform commercial code so as to provide for continuity of contracts. Similar legislation has been adopted in Illinois and California and is under consideration in other states. In Hong Kong the government plans legislation to ensure continuity of contracts. Japan, Singapore and Switzerland are all thought to pose no problems.

So there is nothing to worry about, then?

Well, always providing Emu does not collapse. But the legal uncertainties flowing from a collapse would be so horrendous that it should provide a pretty strong incentive for members of the single currency to stick with it.

Robert Rice



Gilts hit by report from Bank of England

GOVERNMENT BONDS

By Jeremy Grant in London

European bonds ended mixed yesterday as a holiday in the US reduced trade. The only significant action was in the UK, where a Bank of England report playing down prospects of a further interest rate cut sliced half a point off the benchmark gilt future.

Investors were mostly sidelined and trading was in narrow ranges. In Germany, bunds largely ignored an auction of five-year Bobls and the December 10-year bund future traded in a range of 112.13-112.32.

In UK gilts, interest rate expectations were skewed after the BoE's monetary policy committee said in its quarterly inflation report that underlying inflation would rise above its target next year, then return to 2.5 per cent in two years.

That prompted the short sterling market to scale back its interest rate cut expectations by 10-12 basis points across all contracts.

The December short sterling future, which indicates where the market expects key rates to be that month, was pricing in a rate of 6.77 per cent by December, against a rate of 6.64 per cent at the previous day's close. The key interest rate is 6.75 per cent.

The December 10-year gilt future settled 0.50 lower at 114.37 in volume of 35,000 contracts traded. The spread between the cash gilt and bund contracts widened by 5 basis points to 92 points, after having fallen to a low for the day of 82 points.

That dip was partly the result of data showing unemployment had risen by 6,800 in October, contrary to expectations of a fall.

Michael Saunders, UK economist at Salomon Smith Barney, said the Bank's view on inflation was too pessimistic. "I think that growth will be slow enough that you'll get more of a profit squeeze than they expect and less of the wage pressures will be passed through to inflation," he said.

The Bank also forecast that economic growth would slow to about 1 per cent next year before climbing back later.

James Mitchell, senior strategist at Nomura, said: "In the near term, gilts are likely to remain a bit nervous but come next month, when we get the next batch of [economic] survey data, people will become more optimistic on rate hopes."

In German bunds, the December 10-year future was unchanged at 112.21 in dull late trading. The main focus was a speech by Franz-Christoph Zeitler, a Bundesbank council member, in which he said the economic outlook did not warrant a rate cut this year or next.

Traders said there was not much demand for the Bobl auction. The government said it had sold DM7bn of the notes priced at 99.94 and higher. The average yield was 3.75 per cent.

Hong Kong pits its wits against Singapore futures

The liquidity fight is at boiling point, says **Louise Lucas**

Call to arms: the bellicose spirit has been stirred and the ammunition is action as well as words

It may be intangible, derivative and not even unique, but wars have started over less. And with long-standing rivalry fanning the flames, Singapore and Hong Kong's argument over a futures contract has swiftly reached boiling point.

The HiMSCI contracts, which Singapore plans to launch this month, are based on a Hong Kong index built by Morgan Stanley Capital International.

The competition is uncomfortably close for Hong Kong – the contracts could lure trade from the territory and possibly provide speculators with an offshore tool for manipulating prices in the territory – and has prompted the Hong Kong Futures Exchange to extend its trading hours, cut fees and even wade into the murky waters of freedom of information.

"We believe that in a head to head fight for more liquidity we will win. And we believe that this issue will be resolved, and resolved in the trading pits in Hong Kong," says Randy Gilmore, chief executive of the Hong Kong Futures Exchange.

But the ultimate prize is the mantle of premier financial centre in the Asian time zone. Both centres are prized for their infrastructure, labour skills, legal and regulatory frameworks; and both raise hackles with their high cost structure, an issue now being tackled by Singapore.

The immediate fight being waged in the trading pits, however, is over liquidity, where Singapore holds sway. Trading volumes on the Singapore International Monetary Exchange (Simex) are four times those of Hong Kong, and it boasts a broad international array of products, including eurodollar and Nikkei 225 index futures contracts.

There are plans to build on this robust platform: Singapore recently proposed merging its stock and futures exchanges, freeing stock exchange commissions and removing membership restrictions, so long as standard criteria were met.

The Hong Kong Futures Exchange, by contrast, has slipped backwards and has seen volumes fall in recent months. Futures contracts played a big role in the speculative attack that hit the territory's financial markets from October last year, and as such were ripe for curbs when the government acted in August and September.

Speculators used futures to profit from the stock market falls that usually follow currency attacks. On August 31, new rules were introduced to increase the cost of holding big futures positions, by imposing a margin surcharge of 150 per cent on positions of more than 10,000 contracts. Disclosure requirements were made more stringent.

The move was criticised by the futures exchange – Geoffrey Yeh, chairman, claimed it would stifle the market's development and drive investors to other futures centres – but officials later backed down.

It was a brief respite, as the bellicose spirit has again been stirred. Ammunition this time is action as well as words: most potently, steps to prevent information vendors such as Reuters giving the real-time data to Simex that it will need to attract investors to its HiMSCI.

This gambit, taken by the Hong Kong Stock Exchange, which has a contractual agreement with information vendors, is the one that could be most damaging – to Singapore and the territory.

Even a 15-second lag on obtaining the data could scupper the product for Simex; for Hong Kong it draws accusations of controlling information flows, a barb that implies the free market territory is becoming more akin to its mainland sovereign. After the August intervention into the stock market, which attracted criticism that free market principles had been abandoned, it is a doubly wounding jibe.

Simex called it a step that "goes against statements by the Hong Kong Securities and Futures Commission [the industry regulator] that anyone is free to introduce a derivative based on the Hong Kong stock market".

Dennis Lim, country manager (Hong Kong and Macao) for Reuters, said the group was working with the Hong Kong Stock Exchange to resolve the matter, adding that the provision of exchange price data is regulated by a contract.

Hong Kong insists it is a commercial issue, with information an asset like any other. And it is flexing its muscle by enhancing its own product, offering a waiver on all Futures Exchange fees next month; a 0.6 per cent reduction on interest rate charges on margin funds; and plans to add half an hour to the trading day and cut margin requirements.

"This is just the beginning," says Mr Gilmore. "The stock exchange can do certain things. The clearing house may be able to add some fire power as well."

NEWS DIGEST

FUTURES AND OPTIONS

CME to extend range of dairy-related products

The Chicago Mercantile Exchange is to extend its range of dairy-related contracts, adding futures and options on non-fat dry milk and dry whey. The exchange currently trades basic formula price milk, butter and cheddar cheese futures, but is competing with the New York Board of Trade, which also has a dairy complex, for dairy industry business. Both exchanges see this as a potential growth area, since the US dairy industry – traditionally heavily protected by price supports and the like – is deregulating at present. There has also been a trend for both producers and processors to consolidate their operations.

The new contracts will start trading on November 16, and, on both, the specifications relate to 44,000lb of dry product. The contracts will be cash-settled against the US Department of Agriculture's weekly weighted average price for the week ending on the last Saturday of the relevant contract month. **Nikki Tait, Chicago**

EMERGING MARKETS

Rothschild opens in Bombay

NM Rothschild, the UK investment bank, is bucking the sector's retreat from emerging markets by opening a representative office in Bombay. Intending eventually to establish a full subsidiary in India, Rothschild has applied for a merchant banking licence. The bank said it was already working on cross-border mandates involving India.

The office will be headed by Shankar Dey, who worked in corporate advisory for Peregrine India until the pan-Asian investment bank collapsed earlier this year. Most of the initial eight-strong executive staff will also come from Peregrine, although Oliver Blackaby, a corporate financier, will move to India from Rothschild's London office.

Peter Birch, a Rothschild non-executive director since retiring as chairman of UK bank Abbey National earlier this year, will be chairman of the Indian business. **Clay Harris**

CUSTODY

AIA appoints Citibank for Asia

American International Assurance, a subsidiary of American International Group, the US insurance company, has appointed Citibank as its Asian regional custodian.

Under the agreement, Citibank will provide custodian, cash management and portfolio reporting services for AIA, the largest life assurance company in south-east Asia. It covers the insurer's investment businesses in Hong Kong, Singapore, Taiwan, Malaysia, Thailand, the Philippines, Australia and New Zealand. Citibank has also been appointed to provide support for AIA's investment affiliate in Dublin. **Vincent Boland**

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Nov 11	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	108.4415	4.59	+0.02	+0.09	+0.16	−0.39
	08/08	8.750	127.3936	5.14	+0.01	+0.08	−0.08	−0.88
Austria	07/00	5.875	103.6200	3.58	−0.01	+0.05	−0.12	−1.08
	01/08	5.000	104.1800	4.43	-	+0.07	−0.14	−1.25
Belgium	01/00	4.000	100.5500	3.51	-	+0.01	−0.03	−0.91
	03/08	5.750	110.0900	4.41	+0.01	+0.04	−0.12	−1.33
Canada	12/00	5.000	100.3500	4.82	−0.01	+0.04	−0.03	+0.91
	06/08	6.000	106.0500	5.19	-	−0.03	+0.13	−0.30
Denmark	11/00	9.000	109.3400	4.03	+0.04	−0.03	−0.28	−0.82
	11/07	7.000	116.7000	4.88	-	+0.02	−0.16	−1.45
Finland	01/99	11.000	101.2085	3.06	+0.02	+0.02	−0.02	−1.35
	04/08	6.000	111.3020	4.59	+0.02	+0.02	−0.25	−1.30
France	07/00	4.000	100.8200	3.47	+0.01	+0.01	−0.02	−1.00
	10/05	7.750	122.8100	3.83	+0.01	+0.03	−0.13	−1.42
	10/08	8.500	133.5100	4.29	+0.01	+0.03	−0.16	−1.35
	04/29	5.500	104.2600	5.22	-	-	−0.08	−0.99
Germany	06/00	4.000	100.7800	3.49	+0.03	+0.08	−0.01	−0.84
	10/05	6.500	114.3400	4.07	+0.01	+0.01	−0.22	−1.29
	07/08	4.750	104.3100	4.19	+0.01	+0.04	−0.08	−1.43
	01/28	5.625	105.9700	5.22	−0.01	+0.01	−0.06	−0.98
Ireland	10/01	6.500	107.5700	3.73	+0.03	+0.05	−0.13	−1.80
	08/08	6.000	112.0500	4.45	+0.01	+0.02	−0.19	−1.68
Italy	04/01	4.500	101.7500	3.72	+0.02	+0.05	−0.22	−1.72
	07/03	4.500	102.4000	3.93	−0.01	-	−0.27	−1.77
	05/08	5.000	104.1000	4.46	+0.01	+0.01	−0.27	−1.70
	11/27	6.500	115.2300	5.44	+0.01	+0.04	−0.19	−1.24
Japan	12/00	6.900	113.8200	0.26	+0.03	−0.08	−0.15	−0.22
	12/03	4.100	117.4000	0.62	+0.04	−0.07	−0.12	−0.68
	06/08	1.800	108.3200	0.89	+0.05	−0.01	−0.04	−0.85
	03/18	2.700	120.4200	1.48	+0.05	−0.04	−0.04	−1.00
Netherlands	05/00	9.000	107.7900	3.52	+0.02	+0.03	−0.04	−0.92
	07/08	5.250	107.5200	4.28	−0.01	+0.04	−0.12	−1.32
New Zealand	02/01	8.000	105.3738	5.38	+0.04	+0.22	+0.24	−1.49
	07/09	7.000	110.3603	5.69	+0.07	+0.19	+0.14	−0.98
Norway	01/99	9.000	100.1140	7.86	+0.01	−0.02	−0.06	+3.34
	01/07	6.750	107.4000	5.59	+0.02	+0.04	−0.30	−0.21
Portugal	03/00	5.375	102.3300	3.56	−0.03	+0.03	−0.04	−1.56
	06/08	5.375	108.5100	4.52	-	+0.02	−0.13	−1.52
Spain	04/00	6.750	104.4500	3.43	−0.07	−0.05	−0.11	−1.49
	01/08	6.000	111.0700	4.50	-	+0.01	−0.28	−1.50
Sweden	05/00	10.250	108.7780	3.93	-	−0.01	−0.45	−1.24
	05/08	6.500	113.5510	4.69	+0.01	+0.07	−0.27	−1.70
Switzerland	06/00	4.500	104.6300	1.47	−0.01	+0.09	+0.22	−0.82
	01/08	4.250	113.2500	2.60	-	−0.07	−0.19	−1.08
UK	11/01	7.000	104.5800	5.32	+0.12	+0.15	−0.05	−1.89
	12/03	6.500	106.5700	5.01	+0.11	+0.13	−0.05	−1.80
	10/08	9.000	130.5400	5.05	+0.06	+0.01	−0.21	−1.82
	12/28	6.000	120.7100	4.71	+0.02	−0.11	−0.38	−1.83
US	09/00	4.500	99.8535	4.58	−0.01	+0.07	+0.45	−1.17
	08/03	5.250	102.9483	4.55	−0.02	+0.02	+0.13	−1.37
	05/08	5.625	105.6056	4.88	−0.02	−0.01	+0.13	−1.02
	08/28	5.500	102.3622	5.34	+0.01	+0.02	+0.24	−0.85
ECU	07/00	4.000	100.7500	3.51	-	+0.01	−0.06	−1.24
	04/08	5.250	107.2800	4.29	-	+0.01	−0.18	−1.50

London closing. * New York mid day. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Nov 11	Bid Yield	Spread vs Bunds	Spread vs T-Bonds		Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.14	+0.97	+0.29	New Zealand	5.70	+1.53	+0.85
Austria	4.39	+0.22	−0.46	Norway	5.60	+1.43	+0.75
Belgium	4.45	+0.28	−0.40	Portugal	4.52	+0.35	−0.33
Canada	5.19	+1.02	+0.34	Spain	4.59	+0.42	−0.26
Denmark	4.67	+0.50	−0.18	Sweden	4.70	+0.53	−0.15
Finland	4.55	+0.38	−0.30	Switzerland	2.70	−1.47	−2.15
France	4.29	+0.12	−0.56	UK	5.06	+0.89	+0.21
Germany	4.17	-	−0.68	US	4.85	+0.68	-
Ireland	4.48	+0.31	−0.37	ECU	4.35	+0.18	−0.50
Italy	4.56	+0.39	−0.29				
Japan	0.90	−3.27	−3.95				
Netherlands	4.27	+0.10	−0.58				

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Nov 11	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB−	87.4684	11.70	+0.16	+0.90	+7.17
Poland	07/04	7.125	BBB−	103.5683	6.34	+0.05	+0.06	+1.76
Russia	06/07	10.000	n/a	22.9187	47.59	+0.16	−8.89	+42.81
LATIN AMERICA								
Argentina	09/27	9.750	BB	85.2995	11.51	+0.16	+0.27	+6.26
Brazil	05/27	10.125	BB−	71.9281	14.19	+0.16	−1.57	+8.94
Mexico	05/26	11.500	BB	104.9348	10.93	+0.16	−0.53	+5.71
ASIA								
China	07/08	7.750	BBB+	102.6763	7.27	+0.16	−1.28	+2.56
Philippines	10/16	8.750	BB+	85.6305	10.55	+0.16	−2.55	+5.54
Thailand	04/07	7.750	BBB−	88.8392	9.72	+0.16	−1.86	+4.94
AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB−	103.1539	7.06	+0.16	−0.30	+2.50
South Africa	10/06	8.375	BB+	88.7655	10.53	−0.07	−1.15	+5.82
Turkey	09/07	10.000	B	90.5990	11.75	+0.28	−2.29	+6.97
BRADY BONDS								
Argentina	03/23	5.750	BB	68.7843	9.23	+0.13	−0.21	+4.07
Brazil	04/14	5.000	BB−	63.3625	13.08	+0.16	−0.36	+8.09
Mexico	12/19	6.250	BB	74.9445	8.90	+0.09	−0.44	+3.82
Venezuela	03/20	6.750	B+	83.9509	11.23	+0.18	+0.95	+6.13

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	108.92	108.97	+0.23	109.05	108.76	50,865	91,839

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Nov	Calls Dec	Calls Jan	Puts Nov	Puts Dec	Puts Jan
107	1.82	-	-	0.08	-	-
108	0.98	-	-	0.14	-	-
109	0.38	-	-	0.24	-	-
110	0.10	-	-	0.39	-	-

Est. vol. total, Calls 2,878 Puts 7,682. Previous day's open int., Calls 31,605 Puts 39,806.

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	112.22	−0.03	-	-	0	4269
Mar	-	112.53	−0.03	-	-	0	0

NOTIONAL GERMAN BUND FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	112.15	112.12	−0.09	112.32	112.11	103,842	658,546
Mar	112.60	112.43	−0.09	112.61	112.48	464	29,155

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Puts Dec	Puts Jan	Puts Feb
11200	0.52	1.04	1.23	0.30	0.51	0.70
11250	0.28	0.76	0.96	0.56	0.73	0.93
11300	0.13	0.54	0.73	0.91	1.01	1.20

Est. vol. total, Calls 11 Puts 0. Previous day's open int., Calls 5505 Puts 4830

NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	107.70	107.72	−0.01	107.82	107.68	69,581	269,676
Mar	107.50	107.49	−0.03	107.50	107.48	775	13,568

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	110.56	110.45	-0.09	110.59	110.33	5319	50178
Mar	-	110.39	-0.10	-	-	0	10

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Jan	Puts Dec	Puts Jan
11000	0.77	1.00	0.32	0.81
11050	0.49	0.74	0.54	0.85
11100	0.29	0.53	0.84	1.14

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 718 Puts 2403

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	114.05	114.01	+0.01	114.09	113.96	15,479	48,944
Mar	-	113.41	+0.01	-	-	-	-

UK

NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	107.32	-0.48	-	-	0	1571
Mar	-	107.47	-0.48	-	-	0	0

NOTIONAL UK GILT FUTURES (LIFFE)* £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	114.94	114.37	-0.50	115.25	114.25	33738	114496
Mar	-	114.47	-0.50	-	-	0	0

LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Puts Dec	Puts Jan	Puts Feb
11400	0.86	1.52	1.97	0.51	1.05	1.50
11450	0.62	1.26	1.71	0.75	1.29	1.74
11500	0.42	1.03	1.48	1.05	1.58	2.01

Est. vol. total, Calls 1458 Puts 358. Previous day's open int., Calls 46204 Puts 25824

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	126-31	127-11	+0-13	127-23	126-26	333,021	646,346
Mar	126-25	126-31	-	127-13	126-25	10,744	144,608
Jun	126-19	126.10	-	126-20	126-10	67	3,401

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	138.48	138.36	-	138.55	138.35	1172	n/a
Mar	137.84	137.65	-	137.84	137.75	35	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	102.65	102.90	+0.40	102.65	102.65	35	331

US CORPORATE BONDS

Nov 10	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA−	106.0272	5.39	−0.08	−0.14	+0.89
NY Tel	08/25	7.00	A+	100.6221	6.94	−0.03	−0.05	+1.67
CWE	05/08	8.00	BBB	113.2417	6.13	−0.08	−0.16	+1.31
FINANCIALS								
GECC	05/07	8.75	AAA	119.9895	5.74	−0.09	−0.03	+0.92
Banc One	08/02	7.25	A	105.1981	5.67	−0.14	−0.30	+1.17
CNA Fin	01/18	6.95	A−	93.9610	7.54	−0.04	+0.19	+2.27
INDUSTRIALS								
WMX Tech	04/99	6.25	BBB+	100.1113	5.90	−0.07	+0.77	+1.52
Wal Mart	05/02	6.75	AA	104.9803	5.17	−0.09	+0.03	+0.67
Dayton Hud	06/21	9.70	BBB+	130.6383	6.98	−0.03	+0.01	+1.71
AGENCIES								
FHLMC	04/07	7.14	N/A	110.7856	5.52	−0.08	+0.12	+0.70
SLMA	03/00	7.50	N/A	102.9087	5.18	−0.02	+0.46	+0.68
FNMA	02/18	8.95	N/A	134.8948	5.89	−0.03	+0.17	+0.62
FFCB	06/06	8.95	N/A	121.0968	5.49	−0.07	+0.11	+0.67
HIGH YIELD								
Stone Cont	02/01	9.88	B	99.5000	0.00	-	-	-
AK Stl	12/01	9.13	BB−	105.5000	0.00	-	-	-
Pacalta	06/04	10.75	B−	86.0000	0.00	-	-	-

NY closing. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Close (Nov 10)

		Treasury Bills and Bond Yields			
Prime rate	8	One month	-	Two year	4.52
Broker loan rate	6¾	Two month	-	Three year	4.59
Fed.funds	4⅞	Three month	4.57	Five year	4.50
Fed.funds at intervention	4⅝	Six month	4.61	10-year	4.83
		One year	4.53	30-year	5.28

INTERNATIONAL BONDS

Nov 11	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts.
EURO DM								
EIB	02/07	5.750	AAA	109.4000	4.36	+0.03	−0.21	+0.11
Spain	01/07	5.750	AA	109.0487	4.40	−0.01	−0.17	+0.15
Philip Morris	03/04	5.375	A	103.7955	4.55	+0.04	−0.30	[illegible]
Finland FRN	09/02	3.531	AA	100.5609	3.15	-	−0.15	[illegible]
EURO FFR								
Austria	01/04	5.500	AAA	106.7300	4.03	+0.05	−0.09	+0.17
Abbey Nat	02/04	6.000	AA	108.9400	4.07	−0.01	−0.13	+0.21
Cred Foncier	02/04	9.125	A	122.1400	4.32	−0.01	−0.15	+0.46
3CIF FRN	12/01	3.617	AA−	99.8972	3.52	+0.02	−0.07	−0.08
EURO LIRA								
EIB	02/07	7.000	AAA	117.3500	4.44	+0.05	−0.17	−0.01
Abbey Nat	02/02	6.800	AA	108.6300	3.92	−0.04	−0.18	+0.03
Walt Disney	06/00	8.625	A	106.8600	4.07	+0.03	−0.02	+0.31
EIB FRN	03/01	4.743	AAA	100.0590	3.50	−0.01	−0.22	−0.26
EURO £								
EIB	12/07	7.625	AAA	114.4550	5.55	+0.05	−0.43	+0.54
Dresdner Bk	12/07	7.750	AA−	105.8465	6.86	+0.05	−0.09	+1.85
British Gas	03/00	7.625	A+	101.5846	6.34	+0.09	−0.34	+0.85
Abbey Nat FRN	02/02	7.900	AA	99.9534	5.11	+0.08	−0.31	−0.05
EURO $								
EIB	04/07	7.250	AAA	112.0860	5.42	+0.04	−0.03	+0.64
ABN Amro	06/07	7.125	AA−	104.2935	6.45	+0.05	+0.13	+1.67
Quebec	01/07	7.000	A+	107.5329	5.83	+0.05	+0.09	+1.05
Citicorp FRN	02/04	5.750	A+	96.4087	6.56	+0.03	+0.11	+1.98
EURO C$								
Bayer L-Bk	08/04	9.500	AAA	119.1907	5.50	−0.03	+0.02	+0.15
Toronto	05/04	8.500	AA+	114.2225	5.44	−0.03	+0.01	+0.09
Bell Canada	07/99	10.625	A+	103.3279	5.25	-	+0.20	[illegible]
Deutsche B FRN	09/02	5.875	AA+	101.2055	5.52	−0.01	+0.19	[illegible]
EURO YEN								
World Bank	03/02	5.250	AAA	116.2684	0.35	+0.04	−0.18	−0.17
Spain	03/02	5.750	AA	117.7054	0.42	+0.04	−0.10	−0.10
Cred Foncier	08/02	4.750	A	114.0977	0.89	+0.04	−0.10	+0.37
Italy FRN	07/99	0.461	AA	100.0856	0.16	−0.01	+0.16	-

London closing. Standard & Poor's ratings. Yields: Local market standard/Annualised basis. Source: Interactive Data/FT Information

UK BONDS

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Wed Nov 11	Day's change %	Tue Nov 10	Accrued interest	xd adj. ytd
1 Up to 5 years (17)	121.19	−0.24	121.79	2.31	8.64
2 5-15 years (20)	171.71	−0.39	172.39	3.48	8.23
3 Over 15 years (4)	224.67	−0.21	225.13	4.82	8.20
4 Irredeemables (4)	301.83	−0.33	302.83	5.40	9.67
5 All stocks (45)	163.38	−0.30	164.02	3.30	8.67

UK Indices

	Low coupon yield Nov 11	Low coupon yield Nov 10	Low coupon yield Yr. ago	Medium coupon yield Nov 11	Medium coupon yield Nov 10	Medium coupon yield Yr. ago	High coupon yield Nov 11	High coupon yield Nov 10	High coupon yield Yr. ago
5 yrs	5.14	5.06	6.75	5.21	5.11	6.88	5.16	5.06	6.88
15 yrs	4.83	4.80	6.58	4.99	4.96	6.55	5.03	5.02	6.62
20 yrs	4.76	4.74	6.58	4.95	4.93	6.52	5.03	5.02	6.61
Irred.†	5.03	5.02	6.62						

Index-linked

6 Up to 5 years (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Up to 5 yrs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 Over 5 years (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Over 5 yrs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 All stocks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]						

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Nov 11	Nov 10	Nov 7	Nov 6	Nov 5	Yr ago	High*	Low*
Govt. Secs. (UK)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fixed Interest	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

Notes	Price £	+ or −	52 week High	52 week Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Relaxed Old Lady firms up sterling

MARKETS REPORT

By Alan Beattie

Sterling rebounded from earlier jitters over the state of the UK economy yesterday after the Bank of England's Inflation Report reduced hopes of rapid cuts in interest rates.

The pound, having fallen in advance of the report, recovered sharply to finish London trading hours at DM2.788, down from DM2.799 at Tuesday's close.

While the Bank warned that international developments during the past three months had reduced the prospects for growth through a decline in world trade, it said the chances of a credit crunch affecting the UK were low.

And the central case in the Bank's projection for output growth showed it recovering to trend in 2000 after slipping to about 1 per cent in 1999.

■ The Inflation Report also pushed down short sterling prices across the strip, as market participants revised up their expectations for the future path of interest rates.

A fall of 12.5 basis points in the December 1998 contract implied a virtually unanimous market view that the Bank of England's monetary policy committee (MPC) would not cut interest rates at its meeting in December. And prices of contracts expiring in 1999 showed similar falls.

The report itself gave some indication that the MPC did not share the financial markets' view of potential inflationary pressure within the economy and hence the future path of interest rates.

The central projection for RPIX inflation based on the market's expectations of interest rates showed inflation consistently above the 2.5 per cent target, implying that rates may stay higher than the market thought.

The Inflation Report also said that the Bank's view of the likely path for sterling in the future had less downside risk than previous reports had assumed.

The market's residual expectation of sterling joining European monetary union (EMU) in 2002 at a rate of about DM2.60-DM2.70 should also hold the currency up, said Avinash Persaud of JP Morgan.

Sterling yesterday was trading close to DM2.50 in the 2002 forward market.

"Traders in the UK often like to be bearish about their own currency," Mr Avinash said, "but if the perception grows that the UK will join the euro, the market will be quick to make convergence trades."

EMU expectations would be an "anchor for sterling" and make it harder for the currency to fall, he added.

■ The dollar yesterday gave up some more of the gains it had made against the yen earlier in the week.

Profit-takers took advantage of thin trading on a public holiday in the US, and the currency ended European trading at Y121.8 versus the yen, down from Y122.5 on Tuesday.

"The dollar was a bit directionless on the day," said Michael Wallace, manager of currency analysis at economic consultancy Standard and Poor's MMS.

"It had got a bit ahead of itself earlier in the week and today it pulled back somewhat, he added."

■ The yen's rise versus the dollar again helped the emerging market Asian currencies, which are nonetheless struggling to shake off their image as being no more than satellites of the Japanese currency.

The Taiwanese central bank cut two key intervention rates by 12.5 basis points yesterday. Market analysts said that the cut was not unexpected and may have been an attempt to inject confidence into the local equity market.

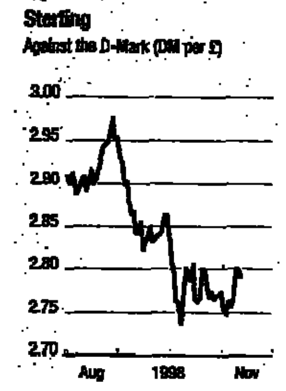
The Taiwanese dollar ended London trading hours yesterday higher against the dollar at T$32.6865.

"The firmer yen trend in Asian trading has definitely helped the Asian currencies," said Tim Fox, chief treasury economist at Standard Chartered in London. "But in general there is a more selective attitude to Asia," he added.

"It is notable that even when there is a general downward movement in the east Asian currencies, good performers like the Philippine peso and the Thai baht have managed to hold on to most of their gains," said Mr Fox.

Sterling

Against the D-Mark (DM per £)



Source: Datastream/ICV

■ POUND IN NEW YORK

Nov 11	—Latest—	– Prev. close –
£ spot	1.6620	1.6595
1 mth	1.6596	1.6572
3 mth	1.6556	1.6536
1 yr	1.6408	1.6399

■ OTHER CURRENCIES

Nov 11	£	$
Czech Rp	49.2527 - 49.3512	29.6560 - 29.7010
Hungary	359.713 - 360.218	216.590 - 216.790
Iran	4984.50 - 4982.40	3000.00 - 3000.00
Kuwait	0.5027 - 0.5033	0.3027 - 0.3029
Peru	5.1294 - 5.1343	3.0885 - 3.0900
Poland	5.7085 - 5.7176	3.4380 - 3.4410
Russia	26.8210 - 27.0010	16.1500 - 16.2500
U.A.E.	6.0996 - 6.1034	3.6727 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

Nov 11		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.6148	-0.0809	061 - 235	19.6874	19.5665	19.5565	3.6	19.451	3.3	19.0881	2.7	103.6
Belgium	(BFr)	57.5108	-0.2576	637 - 578	57.7140	57.4390	57.3415	3.5	57.0212	3.4	55.9442	2.7	103.6
Denmark	(DKr)	10.5985	-0.0432	936 - 053	10.6395	10.5801	10.5774	2.5	10.5318	2.6	10.3783	2.1	107.5
Finland	(FM)	8.4780	-0.0368	726 - 833	8.5110	8.4630	8.4538	3.4	8.4063	3.4	8.2445	2.8	82.9
France	(FFr)	9.3475	-0.0407	440 - 510	9.3856	9.3314	9.32	3.5	9.269	3.4	9.0934	2.7	107.2
Germany	(DM)	2.7880	-0.0114	868 - 892	2.7986	2.7828	2.7797	3.6	2.7648	3.3	2.7125	2.7	105.3
Greece	(Dr)	467.711	-4.943	432 - 990	472.111	467.084	469.484	-4.5	472.68	-4.2	485.831	-3.9	62.2
Ireland	(I£)	1.1206	-0.0046	195 - 216	1.1251	1.1190	1.1178	3.1	1.1118	3.2	1.091	2.6	95.8
Italy	(L)	2757.84	-11.88	610 - 959	2769.21	2752.78	2751.74	2.7	2738.08	2.9	2686.57	2.6	78.5
Luxembourg	(LFr)	57.5108	-0.2576	637 - 578	57.7140	57.4390	57.3415	3.5	57.0212	3.4	55.9442	2.7	103.6
Netherlands	(Fl)	3.1434	-0.0125	421 - 446	3.1548	3.1377	3.1336	3.7	3.1158	3.5	3.0568	2.8	108.2
Norway	(NKr)	12.3796	-0.0601	763 - 829	12.4401	12.3509	12.3921	-1.2	12.4123	-1.1	12.4346	-0.4	93.2
Portugal	(Es)	285.768	-1.279	575 - 961	286.923	285.358	284.945	3.5	283.338	3.4	278.072	2.7	92.9
Spain	(Pta)	237.004	-1.035	863 - 144	237.900	236.500	236.395	3.1	235.18	3.1	230.881	2.7	77.8
Sweden	(SKr)	13.2383	+0.0148	274 - 451	13.2940	13.1804	13.2024	3.1	13.1389	3.0	12.9323	2.3	80.5
Switzerland	(SFr)	2.3004	-0.0089	989 - 018	2.3139	2.2922	2.2894	5.7	2.2688	5.5	2.1971	4.5	107.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	100.4
Ecu	-	1.4173	-0.0062	165 - 180	1.4227	1.4148	1.4137	3.0	1.4063	3.1	1.3798	2.6	-
SDR†	-	1.196400	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6610	-0.0009	605 - 614	1.6614	1.6543	-	-	-	-	-	-	-
Brazil	(R$)	1.9775	-0.0025	769 - 781	1.9792	1.9712	-	-	-	-	-	-	-
Canada	(C$)	2.5688	+0.0016	673 - 702	2.5685	2.5536	2.565	1.8	2.5579	1.7	2.5345	1.3	75.6
Mexico	(New Peso)	16.6285	-0.0627	163 - 426	16.6531	16.5913	16.9872	-25.8	17.7571	-27.1	20.6038	-23.9	-
USA	($)	1.6612	-0.0012	608 - 616	1.6619	1.6548	1.6588	1.7	1.6548	1.5	1.6403	1.3	108.7
Pacific/Middle East/Africa													
Australia	(A$)	2.6337	-0.0315	320 - 354	2.6469	2.6229	2.6291	2.1	2.62	2.1	2.5941	1.5	80.2
Hong Kong	(HK$)	12.8627	-0.0039	587 - 666	12.8681	12.8106	12.8502	1.2	12.8506	0.4	13.054	-1.5	-
India	(Rs)	70.2439	-0.0569	854 - 023	70.3023	69.9780	-	-	-	-	-	-	-
Indonesia	(Rupiah)	12957.38	-425	120 - 356	13846.50	12753.50	13411.64	-42.1	14383.93	-43.4	17141.82	-32.3	-
Israel	(Shk)	7.0536	-0.0735	393 - 678	7.1063	7.0393	-	-	-	-	-	-	-
Japan	(Y)	202.334	-1.26	219 - 449	203.070	199.990	201.179	6.9	198.714	7.2	190.124	6.0	124.8
Malaysia	(M$)	6.3125	-0.0045	181 - 225	6.3147	6.2666	-	-	-	-	-	-	-
New Zealand	(NZ$)	3.1261	-0.0191	236 - 286	3.1359	3.1128	3.1196	2.5	3.1093	2.1	3.0983	0.9	91.4
Philippines	(Peso)	67.3617	-0.6396	794 - 440	67.5440	67.1794	67.8144	-8.1	68.7076	-8.0	72.4851	-7.6	-
Saudi Arabia	(SR)	6.2304	-0.0045	280 - 327	6.2327	6.2079	6.2244	1.2	6.2164	0.9	6.2022	0.5	-
Singapore	(S$)	2.7427	-0.0111	403 - 450	2.7607	2.7278	2.7334	4.1	2.714	4.2	2.6632	2.9	-
South Africa	(R)	9.4805	+0.0875	757 - 852	9.4910	9.3411	9.5781	-12.4	9.7544	-11.6	10.5016	-10.8	-
South Korea	(Won)	2185.06	-3.49	229 - 783	2187.83	2179.27	-	-	-	-	-	-	-
Taiwan	(T$)	54.2998	-0.1872	766 - 210	54.3752	54.1085	54.5115	-4.7	54.82	-2.4	55.0321	-1.4	-
Thailand	(Bt)	60.9661	-0.5427	853 - 469	61.6500	60.7090	60.9785	-0.2	61.1376	-1.1	62.461	-2.5	-

† Rates for Nov 10. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 11		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	11.8076	-0.0401	052 - 100	11.8820	11.7990	11.7894	1.9	11.7541	1.8	11.6366	1.4	103.5
Belgium	(BFr)	34.6200	-0.13	000 - 400	34.7700	34.6000	34.5675	1.8	34.4575	1.9	34.105	1.5	103.5
Denmark	(DKr)	6.3806	-0.0214	786 - 826	6.4108	6.3751	6.3764	0.8	6.3643	1.0	6.3256	0.9	106.6
Finland	(FM)	5.1035	-0.0185	015 - 055	5.1260	5.1007	5.0963	1.7	5.0799	1.9	5.026	1.5	82.1
France	(FFr)	5.6270	-0.0204	262 - 277	5.6540	5.6235	5.6185	1.8	5.6012	1.8	5.5436	1.5	106.7
Germany	(DM)	1.6783	-0.0057	780 - 786	1.6864	1.6770	1.6757	1.8	1.6707	1.8	1.6536	1.5	104.9
Greece	(Dr)	281.550	-2.77	450 - 650	284.250	281.270	283.01	-6.2	285.625	-5.8	296.175	-5.2	61.8
Ireland	(I£)	1.4825	+0.005	815 - 835	1.4835	1.4760	1.4842	-1.4	1.4885	-1.6	1.5037	-1.4	-
Italy	(L)	1660.15	-5.83	950 - 080	1668.50	1659.00	1658.85	0.9	1654.6	1.3	1637.8	1.3	76.2
Luxembourg	(LFr)	34.6200	-0.13	000 - 400	34.7700	34.6000	34.5675	1.8	34.4575	1.9	34.105	1.5	103.5
Netherlands	(Fl)	1.8922	-0.0062	919 - 925	1.9009	1.8905	1.889	2.0	1.8828	2.0	1.8635	1.5	102.9
Norway	(NKr)	7.4522	-0.0308	520 - 524	7.4920	7.4430	7.4705	-2.9	7.5007	-2.6	7.5805	-1.7	91.8
Portugal	(Es)	172.025	-0.645	950 - 100	172.850	171.950	171.775	1.7	171.22	1.9	169.52	1.5	93.4
Spain	(Pta)	142.670	-0.52	620 - 720	143.400	142.620	142.507	1.4	142.117	1.5	140.635	1.4	77.4
Sweden	(SKr)	7.9679	+0.0147	645 - 713	8.0055	7.9351	7.9588	1.4	7.9385	1.5	7.8839	1.1	81.0
Switzerland	(SFr)	1.3848	-0.0043	842 - 853	1.3937	1.3835	1.3802	4.0	1.3711	4.0	1.3395	3.3	107.6
UK	(£)	1.6612	-0.0012	608 - 616	1.6619	1.6548	1.6588	1.7	1.6548	1.5	1.6403	1.3	100.7
Ecu	-	1.1722	+0.0043	718 - 725	1.1730	1.1670	1.1735	-1.3	1.1768	-1.6	1.189	-1.4	-
SDR†	-	0.72100	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0002	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.1904	-0.0006	903 - 905	1.1906	1.1904	-	-	-	-	-	-	-
Canada	(C$)	1.5463	+0.002	458 - 468	1.5472	1.5420	1.5462	0.0	1.5457	0.2	1.5451	0.1	75.6
Mexico	(New Peso)	10.0105	-0.0305	050 - 160	10.0200	10.0060	10.2405	-27.6	10.7305	-28.8	12.5605	-25.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	108.5
Pacific/Middle East/Africa													
Australia	(A$)	1.5854	-0.0178	848 - 860	1.5957	1.5833	1.5846	0.6	1.582	0.9	1.5713	0.9	79.6
Hong Kong	(HK$)	7.7430	+0.0032	425 - 435	7.7445	7.7385	7.7465	-0.5	7.7655	-1.2	7.958	-2.8	-
India	(Rs)	42.2850	-0.0038	600 - 100	42.3100	42.2770	42.715	-12.2	43.535	-11.8	46.78	-10.6	-
Indonesia	(Rupiah)	7800.00	-250	000 - 000	8350.00	7700.00	8085	-43.8	8680	-45.1	10450	-34.0	-
Israel	(Shk)	4.2461	-0.0411	385 - 536	4.2783	4.2385	-	-	-	-	-	-	-
Japan	(Y)	121.800	-0.67	760 - 840	122.390	120.650	121.275	5.2	120.08	5.6	115.805	4.8	125.3
Malaysia‡	(M$)	3.8000	-	000 - 000	3.8000	3.8000	-	-	-	-	-	-	-
New Zealand	(NZ$)	1.8818	-0.0102	808 - 828	1.8904	1.8804	1.8849	-2.0	1.8903	-1.8	1.9091	-1.5	-
Philippines	(Peso)	40.5500	-0.35	500 - 500	40.6500	40.4500	40.881	-9.8	41.5195	-9.6	44.1765	-8.9	-
Saudi Arabia	(SR)	3.7505	-	500 - 510	3.7510	3.7500	3.7523	-0.6	3.7565	-0.6	3.781	-0.8	-
Singapore	(S$)	1.6510	-0.0055	500 - 520	1.6685	1.6458	1.6478	2.4	1.64	2.7	1.6235	1.7	-
South Africa	(R)	5.7070	+0.0567	055 - 085	5.7160	5.6350	5.774	-14.1	5.8945	-13.1	6.402	-12.2	-
South Korea	(Won)	1315.35	-1.15	400 - 670	1318.00	1314.00	-	-	-	-	-	-	-
Taiwan	(T$)	32.6865	-0.069	810 - 920	32.7300	32.6810	32.8615	-6.4	33.0085	-3.9	33.548	-2.6	-
Thailand	(Bt)	36.7000	-0.3	000 - 000	37.6200	36.6000	36.76	-2.0	36.945	-2.7	38.09	-3.8	-

† SDR rate per $ for Nov 10. ‡ Official rate set by Malaysian government. The WM/Reuters rate for the valuation of capital assets is 5.43 MYR/USD, a discount of 30% on the official rate. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 10. Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

Nov 11	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	3.30
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	3.69
Italy	[illegible]	[illegible]	4	[illegible]	[illegible]	6.50	5.00	5.12
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.75	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	5	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR BBA London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	4.97	4.89	4.81	4.63	-	-	-
ECU Linked Ds	-	[illegible]	4	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 11	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5 - [illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1 - [illegible]
Asian $Sing	[illegible]	[illegible] - 2	[illegible]	[illegible]	[illegible]	[illegible] - 3

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.410	96.395	+0.015	96.425	96.410	4,307	63,310
Mar	96.595	96.425	+0.015	96.615	96.590	1,125	44,741

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.405	96.410	-0.005	96.410	96.390	16640	507038
Mar	96.595	96.590	-0.020	96.610	96.575	19381	505638
Jun	96.635	96.615	-0.025	96.645	96.600	21725	358663
Sep	96.630	96.610	-0.025	96.640	96.595	11969	272002

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	96.290	-	-	-	0	4000

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.300	96.290	-0.020	96.300	96.290	2347	181971
Mar	96.600	96.570	-0.030	96.600	96.560	2884	257134
Jun	96.620	96.600	-0.030	96.620	96.590	2439	75671
Sep	96.620	96.600	-0.020	96.620	96.590	782	45016

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.400	98.390	-0.020	98.440	98.370	6199	62570
Mar	98.410	98.400	-0.020	98.460	98.380	5229	51684
Jun	98.350	98.320	-0.030	98.370	98.310	1213	28791
Sep	98.250	98.220	-0.040	98.280	98.200	889	18257

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	99.38	-0.01	-	-	0	n/a
Mar	-	99.49	-0.01	-	-	0	n/a
Jun	-	99.54	-0.01	-	-	0	n/a

* LIFFE futures also traded on APT

■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.375	96.365	-0.005	96.375	96.365	60	9874
Mar	96.610	96.590	-0.020	96.610	96.585	145	6120
Jun	-	96.615	-0.025	-	-	0	2199
Sep	-	96.610	-0.025	-	-	0	1307

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
96375	0.035			0.120		
96500	0.015	0.180	0.260	0.225	0.110	0.180
96625	0.010			0.345		

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 71998 Puts 80368

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 11		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.43	16.25	4.848	1.948	4795	5.466	21.53	496.9	412.1	23.02	4.000	1.739	4.467	2.889	351.8	2.484
Denmark	(DKr)	54.26	10	8.819	2.630	1.057	2602	2.966	11.68	269.6	223.6	12.49	2.170	0.943	2.423	1.567	190.9	1.337
France	(FFr)	61.52	11.34	10	2.983	1.199	2950	3.363	13.24	305.7	253.5	14.16	2.461	1.070	2.748	1.777	216.5	1.516
Germany	(DM)	20.63	3.802	3.353	1	0.402	989.2	1.127	4.440	102.5	85.01	4.748	0.825	0.359	0.921	0.596	72.57	0.508
Ireland	(I£)	51.32	9.459	8.342	2.488	1	2461	2.805	11.05	255.0	211.5	11.81	2.053	0.892	2.292	1.483	180.6	1.265
Italy	(L)	2.085	0.384	0.339	0.101	0.041	100	0.114	0.449	10.36	8.594	0.480	0.083	0.036	0.093	0.060	7.337	0.051
Netherlands	(Fl)	18.30	3.372	2.974	0.887	0.356	877.4	1	3.938	90.91	75.40	4.211	0.732	0.318	0.817	0.528	64.37	0.451
Norway	(NKr)	46.46	8.562	7.551	2.252	0.905	2228	2.539	10	230.8	191.4	10.69	1.858	0.808	2.075	1.342	163.4	1.145
Portugal	(Es)	20.12	3.709	3.271	0.976	0.392	965.1	1.100	4.332	100	82.94	4.632	0.805	0.350	0.899	0.581	70.80	0.496
Spain	(Pta)	24.27	4.472	3.944	1.176	0.473	1164	1.326	5.223	120.6	100	5.585	0.971	0.422	1.084	0.701	85.37	0.598
Sweden	(SKr)	43.45	8.008	7.062	2.106	0.847	2084	2.375	9.353	215.9	179.1	10	1.738	0.756	1.941	1.255	152.9	1.071
Switzerland	(SFr)	25.00	4.608	4.063	1.212	0.487	1199	1.366	5.381	124.2	103.0	5.754	1	0.435	1.117	0.722	87.95	0.616
UK	(£)	57.51	10.60	9.348	2.788	1.121	2758	3.143	12.38	285.8	237.0	13.24	2.300	1	2.569	1.661	202.3	1.417
Canada	(C$)	22.39	4.126	3.639	1.085	0.436	1074	1.224	4.819	111.2	92.27	5.153	0.896	0.389	1	0.647	78.77	0.552
USA	($)	34.62	6.381	5.627	1.678	0.675	1660	1.892	7.452	172.0	142.7	7.968	1.385	0.602	1.546	1	121.8	0.853
Japan	(Y)	28.42	5.239	4.620	1.378	0.554	1363	1.554	6.118	141.2	117.1	6.542	1.137	0.494	1.270	0.821	100	0.700
Ecu	-	40.58	7.479	6.596	1.967	0.791	1946	2.218	8.735	201.6	167.2	9.340	1.623	0.706	1.813	1.172	142.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.5936	0.5952	+0.0005	0.5960	0.5921	18,082	103,324
Mar	0.5972	0.5969	-0.0002	0.5981	0.5953	66	1,737
Jun	0.5984	0.5990	-0.0003	0.5998	0.5984	20	1,169

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8266	0.8238	+0.0049	0.8273	0.8141	23,756	86,050
Mar	0.8369	0.8351	+0.0050	0.8380	0.8280	482	4,804
Jun	0.8420	0.8390	-0.0011	0.8420	0.8390	1,362	3,253

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7188	0.7221	+0.0002	0.7227	0.7202	15,026	43,009
Mar	0.7276	0.7288	+0.0004	0.7288	0.7276	25	484
Jun	-	0.7345	-	0.7350	-	14	23

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6600	1.6560	-0.0018	1.6586	1.6554	3,171	50,100
Mar	1.6500	1.6500	-0.0022	1.6500	1.6500	57	1,581
Jun	-	1.6488	-	1.6500	1.6480	4	1,202

UK INTEREST RATES

LONDON MONEY RATES

Nov 11	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from Nov 5, 1998

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc. Ave. tender rate of discount on Nov 6 6.3156pc. ECGD fixed rate Stg. Export Finance. Make up day Oct 30, 1998. Agreed rate for period Nov 26, 1998 to Dec 25, 1998, Scheme III 6.47pc. Reference rate for period Oct 1, 1998 to Oct 30, 1998, Scheme IV & V 7.227pc. Finance House Base Rate 7½pc for Nov 1998.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.360	93.230	-0.125	93.380	93.210	47225	198134
Mar	93.880	93.735	-0.125	93.900	93.710	39695	167191
Jun	94.190	94.045	-0.135	94.230	94.010	36068	136135
Sep	94.330	94.190	-0.120	94.370	94.160	32238	142443
Dec	94.290	94.150	-0.120	94.320	94.130	9539	139284

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
93000	0.250	0.780	1.115	0.020	0.045	0.070
93125	0.160			0.055		
93250	0.090	0.565	0.885	0.110	0.080	0.100
93375	0.045			0.190		
93500	0.020	0.385	0.695	0.290	0.150	0.150
93625	0.010			0.405		

Est. vol. total, Calls 11215 Puts 12350. Previous day's open int., Calls 549181 Puts 574600

EMS EUROPEAN CURRENCY UNIT RATES

Nov 11	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Greece	357.000	328.761	-1.871	-7.91	7.60	53
Denmark	7.54257	7.44347	-0.00053	-1.31	0.41	9
Ireland	0.796244	0.787214	+0.000055	-1.13	0.22	8
Italy	1957.61	1937.11	+0.14	-1.05	0.13	8
Spain	168.220	166.490	-0.012	-1.03	0.12	7
France	6.63186	6.56638	+0.00057	-0.99	0.07	8
Austria	13.9119	13.7765	-0.0002	-0.97	0.06	7
Germany	1.97738	1.95808	-0.0001	-0.98	0.06	10
Belgium	40.7844	40.3961	+0.0028	-0.95	0.04	7
Portugal	202.692	200.783	+0.014	-0.94	0.03	6
Finland	6.01125	5.95631	+0.00053	-0.91	0.00	6
Netherlands	2.22799	2.20755	-0.00019	-0.92	0.00	7
NON ERM MEMBERS						
UK	0.653644	0.700373	+0.000133	7.15	-7.52	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92 Sterling suspended from ERM. 16/3/98 Drachma joined ERM & Punt revalued by 3%. Other central rates adjusted. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
1.650	1.11	1.86	2.53	0.18	1.16	1.97
1.660	0.49	1.47	2.12	0.48	1.58	2.42
1.670	0.19	1.05	1.69	1.12	2.17	2.95

Previous day's vol., Calls n/a Puts n/a. Prev. day's open int., Calls n/a Puts n/a

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
0.590	0.48	0.92	1.25	0.11	0.44	0.70
0.595	0.18	0.63	0.97	0.27	0.66	0.92
0.600	0.06	0.43	0.75	0.61	0.95	1.20

Previous day's vol., Calls n/a Puts n/a. Prev. day's open int., Calls n/a Puts n/a

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.80	94.79	-0.03	94.83	94.78	64,013	502,743
Mar	95.19	95.22	-0.02	95.27	95.18	87,164	523,687
Jun	95.17	95.22	-0.03	95.28	95.15	104,101	428,532

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	95.58	95.57	-0.01	95.74	95.67	128	1,713
Mar	95.98	95.90	-0.05	96.08	96.03	32	340
Jun	-	-	-	-	-	2	29

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Exeter Trust Limited	[illegible]	Smith & Williamson	6.75
Allied Irish Bank (GB)	6.75	Financial & Gen Bank	[illegible]	Sun Bank	[illegible]
•Henry Ansbacher	6.75	•Robert Fleming & Co	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	Habib Bank AG Zurich	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	•Heritable & Gen Inv Bk	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	7.50	C. Hoare & Co	[illegible]	Whiteaway Laidlaw	6.75
Bank of India	6.75	•Hambros Bank	6.75	Yorkshire Bank	6.75
Bank of Scotland	6.75	Hongkong & Shanghai	6.75		
Barclays Bank	6.75	Investec Bank (UK) Ltd	6.75	• Members of London Investment Banking Association	
Brit Bk of Mid East	6.75	Julian Hodge Bank	[illegible]		
•Brown Shipley & Co Ltd	6.75	•Leopold Joseph & Sons	6.75		
Citibank NA	6.75	Lloyds Bank	6.75		
Clydesdale Bank	6.75	Midland Bank	6.75		
The Co-operative Bank	6.75	NatWestminster	6.75		
Coutts & Co	6.75	•Rea Brothers	6.75		
Cyprus Popular Bank	7.25	Royal Bk of Scotland	6.75		
Duncan Lawrie	6.75	Scottish Widows Bank	6.75		
		•Singer & Friedlander	6.75		

COMMODITIES & AGRICULTURE

Tin price recovers after ploy on Tuesday

MARKETS REPORT

By Kenneth Gooding and Paul Solman

Strange things are happening in the London Metal Exchange's tin market. Not only has a supply squeeze developed but, traders suggest, a clever ploy on *Tuesday forced the tin price* down at a time when a big fall in stocks was revealed.

Stocks fell by 600 tonnes but so did the three-month tin price, by $80 to $5,425 a tonne. Yesterday, the price recovered by $25 but the squeeze continued and the premium for tin for immediate delivery, compared with three-month metal, remained $50 *a tonne.*

The LME announced yesterday that it is to modernise its nickel contract by allowing, from January 4 2000, full plate cathodes to be deliverable, as well as the present cut cathode, pellets and briquettes. There will be a $100 tonne discount on the full plate for at least two years.

Most Russian nickel arrives in the west as full plate cathodes and full plate is widely used by the European stainless steel producers. Analysts suggested the change would provide more transparency in the nickel market by making total stocks more visible.

Crude oil prices strengthened as the US appeared to move closer to carrying out air strikes on Iraq.

In late trading on London's International Petroleum Exchange, the December Brent blend contract was $12.40 a barrel, up from Tuesday's close of $12.04. Prices also rose on the New York Mercantile Exchange, with December crude at $13.82 a barrel in early afternoon trading, against Tuesday's close of $13.52

White sugar futures rose on the London International Financial Futures and Options Exchange. In late trading, the December contract was $242.80 compared with Tuesday's close of $235.40. Liffe said sugar reached a record volume of 12,136 lots on Tuesday, beating the previous record of 11,234 on September 11.

Ashanti to push ahead with Tanzanian mine

By Kenneth Gooding, Mining Correspondent

Ashanti Goldfields of Ghana has completed its $135m takeover of Samax Gold, a Toronto-listed company, and will push ahead with developing the Geita project in Tanzania into one of the world's biggest gold mines.

Samax and Ashanti have *adjoining properties in the* Geita district. By developing them as one, Ashanti expects to have a mine with an annual output of 400,000 troy ounces in operation before the end of 2000, said Mark Keatley, chief financial officer. Cash operating costs *will be among the world's* lowest at $180 an ounce.

Ashanti will spend about $130m on the Geita mine. At present the deposit has 6m ounces in resources, of which about 5m ounces will be brought into reserves.

It is also expanding its Sig*uiri mine in Guinea and has* bought Samax's 50 per cent of the Golden Pride mine in Tanzania which Resolute of Australia, the operator, will bring into production in a few weeks.

Consequently, by the end of next year Ashanti's annual gold output should rise from 1.5m ounces to 1.7m ounces and Geita will take it to 1.9m ounces.

Ashanti offered a convertible alternative to its cash offer and holders of 32 per cent of the Samax shares accepted this.

Most of the shares went to Jean-Claude Gandur, the Swiss chairman of the Addax and Oryx Group, an oil and minerals company that was the former biggest shareholder in Samax. Mr *Gandur, 49, now owns about* 4 per cent of Ashanti and has been appointed a non-executive director.

Mr Keatley pointed out that Ashanti had bought 3.3m of its own shares recently and this would partly offset the 5.7m new *shares to be issued for the* Samax acquisition.

Ashanti will continue to buy back its shares whenever the directors believe they are trading below their true value.

The company recently reported a 30 per cent *increase in earnings for the* three months to September 30 to $20.3m, or 19 cents a share before an exceptional charge of $30m relating to the closure of the high-cost Iduapriem mine in Ghana.

Gold output was a record 420,162 ounces, up 45 per cent from the same period last year, and cash costs at $209 an ounce were 19 per cent lower.

Rising prices hit hopes for rice exports

Despite a bumper crop in Pakistan, orders may prove elusive, says **Farhan Bokhari**

Pakistan's rice exporters have become increasingly cautious about getting large export orders in spite of a bumper harvest. Rising prices in the domestic market, driven up by expectations of strong export potential, have reduced Pakistan's competitive edge over exports from other Asian countries.

The increasingly cautious assessment comes as prices in some areas are more than 20-25 per cent higher than *for last* year's crop.

The outlook for the harvest and its export potential are vital for Pakistan as the country struggles to narrow its international trade deficit and stave off a crisis on foreign debt payments.

Supplies of basmati-385 *and "super" basmati, Pakis*tan's two main exportable rice varieties, are expected to peak this month when most of the crop is harvested in the Punjab province.

Pakistan expects a harvest at least 10 per cent greater than last year's 4.3m tonnes. *Independent analysts say* suitable weather and fewer pest attacks have boosted the crop.

In addition, many farmers chose to sow rice this year, putting an extra 100,000 acres under cultivation and bringing the rice-growing area to almost 3.6m acres.

"Last year, many farmers thought prices would increase. They planted rice just at the right time and would now gain from the bumper harvest," says Rao Ghayur Khan, director of the Kala Shah Kaku Institute outside Lahore.

Some of that increase has taken place in areas where farmers grew cotton, but changed to rice after last year's pest attacks.

However, rice traders say the expectation of a bumper crop leading to large export orders is premature, as prices in the domestic mar*ket have risen above* offers from foreign importers.

"A bandwagon effect led to a price increase. Unfortunately, prices are inflated to the point that they would have to drop by at least 10 per cent before exports took place," says Khalid Ghauri, *head of Matco Enterprises, a* Karachi-based rice export business.

Mr Ghauri says Pakistan's tough economic conditions have also caused uncertainty about prospects for rice exports. The country is struggling to finalise a new agreement with the International Monetary Fund and other multilateral donors to put together a $5bn loan package.

Businessmen say loans from banks have shrunk, mainly because of faltering business activity. Mr Ghauri says: "In the past, exporters found it easier to buy rice on credit and store it away, but now cash-flow is a problem."

Many farmers need newer technologies to increase their yields

The larger crop also gives no *assurance that* rice production will also increase in coming years. Pakistan's rice farmers still have to deal with adulterated pesticides and rising fertiliser and electricity prices.

This year, the Punjab has taken the lead in clamping *down on unscrupulous* traders. Frequent raids on pesticide shops have forced many traders to close down.

However, many critics say the campaign will succeed only if it continues for several years. Many pesticide dealers have connections with ruling politicians and other influential officials, allowing them to remain immune from prosecution.

Many farmers also need to *acquire newer technologies* to increase their yields. Frequent efforts to introduce high-tech mechanised rice planters have failed to establish their use.

Pakistani farmers, who sow with bare hands, have ignored the recommendation *that up to 80,000* rice plants be sown in an acre and sow 40,000-50,000 instead.

Farmers lament the high price of mechanised transplanters, which cost about twice as much as a medium-sized tractor. "It's the economic issue which counts," says a scientist. "Even with this year's bumper crop, no one knows if that would be repeated next year."

NEWS DIGEST

CEREALS

Russian harvest hit by drought and hot weather

Russia's production of cereal crops has fallen by 43 per cent this year because of prolonged drought and hot weather. The country's total cereal crop is forecast to be 50m tonnes compared with 86.7m tonnes in 1997, according to a special report by the Food and Agriculture Organisation of the United Nations.

Official projections put the grain crop at 48m tonnes, excluding maize, although the FAO said unofficial sources suggested a figure of 65m tonnes, claiming that gross under-reporting had occurred, possibly to evade taxes or farm loan repayments.

The FAO said Russia would need to import at least 4m tonnes of cereals to meet consumption in the 1998-99 *marketing year* (July-June). Recorded imports in 1997-98 were 3.5m tonnes, "though unrecorded flows may bias this figure on the low side". Cereal feed exports (wheat and barley) for 1998-99 were forecast at 1.9m tonnes, about 700,000 tonnes lower than in 1997-98. **Paul Solman**

BAUXITE

Jamaican production up 5%

Jamaica's bauxite production in the first nine months of this year totalled 9.46m tonnes, 5 per cent more than the corresponding period of last year, according to the Jamaica Bauxite Institute. Alumina production rose 2 per cent to 2.56m tonnes. Jamaica is the world's largest bauxite producer after Australia and Guinea.

The increase came from stable industrial relations in the industry, and efforts by miners and refiners to improve their performance and competitiveness, said Dennis Morrison, senior economist of the institute. "Refiners have been running at full capacity since the start of this year," he said. The institute is projecting 1998 bauxite production at 12.5m tonnes, and alumina production at 3.4m tonnes. **Canute James, Kingston**

OIL

Malaysian producers cut costs

Malaysian oil producers are stepping up efforts to shrink development and production costs because of the Asian financial crisis and the low price of oil. Producers under *the two-year-old Cost Reduction Alliance (Coral) pro*gramme hope to cut costs by 30 per cent by 2000. The scheme, which encourages the sharing of information, has saved oil companies M$590m (US$155m) so far.

Companies are sharing seismic vessels and introducing better contract processes for drilling operations. "We have seen positive results [but] the journey ahead will be very challenging," said Akbar Tajudin Wahab, general manager at Petronas, the national oil company, at a *Coral seminar in Kuala Lumpur. Producers are also trying to improve oil* recovery from the current 37 per cent through new drilling technology and well completion practices as new fields get smaller and harder to find. **TJ Tan, Kuala Lumpur**

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1287.5-88.5	1308-09
Previous	1293.5-4.5	1315-6
High/low		1315/1308
AM Official	1292-3	1310.5-11.0
Kerb close		1313-14
Open int.	343,898	
Total daily turnover	53,414	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1083-88	1113-18
Previous	1087-92	1117-20
High/low		1116/1113
AM Official	1080-1	1115-6
Kerb close		1118-20
Open int.	7,168	
Total daily turnover	1,668	

■ LEAD ($ per tonne)

Close	489.5-90.5	500-0.5
Previous	487-8	497-8
High/low		500/493
AM Official	484-4.5	494-5
Kerb close		497-8
Open int.	41,325	
Total daily turnover	9,142	

■ NICKEL ($ per tonne)

Close	4110-20	4180-85
Previous	4090-100	4160-65
High/low		4215/4150
AM Official	4110-15	4185-200
Kerb close		4175-80
Open int.	64,616	
Total daily turnover	20,117	

■ TIN ($ per tonne)

Close	5490-500	5445-50
Previous	5465-75	5410-15
High/low		5450/5430
AM Official	5470-75	5430-35
Kerb close		5445-50
Open int.	18,579	
Total daily turnover	11,925	

■ ZINC, special high grade ($ per tonne)

Close	953.5-4.5	972-2.5
Previous	949.5-50.5	968-9
High/low		973/965
AM Official	947-7.5	965.5-6.0
Kerb close		968-9
Open int.	88,084	
Total daily turnover	15,026	

■ COPPER, grade A ($ per tonne)

Close	1570-71	1598-99
Previous	1571.5-2.5	1599-600
High/low		1608/1592
AM Official	1566.5-7.0	1596-7
Kerb close		1604-05
Open int.	169,226	
Total daily turnover	46,821	

■ LME AM Official £/$ rate: 1.6593
LME Closing £/$ rate: 1.6620

Spot: 1.6608 3 mths: 1.6550 6 mths: 1.6505 9 mths: 1.6455

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	71.60	+0.50	71.70	71.60	164	1,078
Dec	71.85	+0.45	72.20	71.25	10,406	30,411
Jan	72.20	+0.45	72.35	72.20	33	2,412
Feb	72.50	+0.40	72.60	72.40	34	1,322
Mar	72.85	+0.45	73.20	72.30	1,370	10,134
Apr	73.10	+0.40	73.35	73.25	1	1,235
Total					12,830	64,107

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	293.00-293.50		
Opening	293.50-293.80		
Morning fix	293.60	177.11	406.93
Afternoon fix	293.50	177.02	407.53
Day's High	294.40-294.70		
Day's Low	292.90-293.20		
Previous close	292.50-293.00		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month .... 4.68 6 months 3.87
2 months .... 4.35 12 months 3.52
3 months 4.27

Silver Fix	p/troy oz.	US cts equiv.
Spot	300.13	498.75

Silver Lending Rates

1 month .... 4.10 6 months 2.45
2 months .... 3.55 12 months 2.20
3 months 3.35

Gold Coins	$ price	£ equiv.
Krugerrand	298-300	178-181
New Sovereign	69-73	42-44

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	293.1	-0.5	293.5	293.5	-	3
Dec	293.7	-0.5	295.3	293.4	21,154	68,371
Feb	295.9	-0.5	297.6	295.7	2,041	24,757
Apr	297.8	-0.5	298.8	297.9	1,363	16,093
Jun	299.4	-0.5	300.5	299.9	839	14,154
Aug	301.0	-0.5	-	-	161	5,421
Total					25,889	172,089

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jan	339.8	+2.3	341.7	338.0	899	14,524
Apr	341.1	+2.3	343.0	343.0	96	508
Jul	342.3	+2.5	-	-	3	145
Oct	343.6	+2.7	344.5	344.5	2	992
Total					1,000	16,168

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Dec	273.50	+2.30	273.50	272.00	426	1,675
Mar	273.00	+1.35	-	-	100	1,146
Jun	271.00	+1.35	-	-	2	5
Total					526	2,951

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Nov	498.8	+0.7	-	-	-	-
Dec	500.0	+0.7	501.5	497.5	5,429	40,896
Jan	502.2	+0.7	-	-	-	88
Mar	505.2	+0.8	507.0	503.5	402	17,869
May	507.5	+0.8	507.0	507.0	408	4,629
Jul	510.0	+0.7	511.5	507.5	439	2,959
Total					7,008	75,074

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	13.65	+0.13	13.90	13.48	58,322	99,281
Jan	13.92	+0.15	14.14	13.73	32,191	85,216
Feb	14.10	+0.11	14.30	13.95	7,401	41,625
Mar	14.45	+0.26	14.50	14.30	5,110	23,712
Apr	14.56	+0.18	14.55	14.55	1,009	14,837
May	14.85	+0.30	14.85	14.67	858	14,348
Total					115,570	490,783

■ CRUDE OIL IPE ($/barrel)

	6pm price	Day's change	High	Low	Vol	Open int
Dec	12.31	+0.27	12.45	12.15	17,116	35,133
Jan	12.63	+0.28	12.73	12.46	21,682	77,150
Feb	12.92	+0.29	12.98	12.76	3,069	28,784
Mar	13.12	+0.25	13.15	12.97	1,599	18,533
Apr	13.14	+0.08	13.14	13.14	2	12,934
May	13.36	+0.12	13.36	13.36	1	7,962
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls., c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	38.40	+0.64	38.85	37.70	17,650	52,268
Jan	39.50	+0.46	39.95	38.95	8,644	40,747
Feb	40.50	+0.51	40.85	39.95	3,790	27,882
Mar	40.90	+0.51	41.30	40.30	1,027	18,050
Apr	41.25	+0.76	41.40	41.00	148	9,865
May	41.40	+0.71	41.40	41.35	127	7,954
Total					35,363	192,348

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	108.75	+1.75	109.75	108.00	8,609	11,905
Dec	112.50	+1.75	113.75	111.25	9,744	52,665
Jan	116.25	+1.50	117.25	115.50	2,520	28,840
Feb	119.25	+1.50	120.00	118.25	1,194	16,483
Mar	121.25	+1.50	122.25	120.75	268	12,039
Apr	123.00	+1.50	124.00	122.50	168	6,603
Total					41,137	164,627

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Dec	15.050	-0.030	15.050	15.040	165	3,285
Jan	18.050	-0.050	18.060	18.000	145	4,170
Total					585	25,315

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	2.465	-0.013	2.510	2.445	29,633	47,779
Jan	2.575	-0.028	2.625	2.570	3,313	36,499
Feb	2.495	-0.018	2.540	2.490	7,935	23,107
Mar	2.370	-0.017	2.410	2.370	2,016	20,544
Apr	2.246	-0.010	2.280	2.240	717	13,501
May	2.195	-0.005	2.205	2.190	740	10,665
Total					47,191	238,124

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	41.35	+0.15	41.80	40.85	15,434	32,095
Jan	41.95	+0.12	42.40	41.55	6,445	20,018
Feb	42.80	+0.17	43.15	42.75	1,623	5,893
Mar	44.10	+0.53	44.10	43.70	249	5,041
Apr	46.95	+0.33	-	-	347	7,263
May	47.75	+0.48	47.80	47.50	311	5,658
Total					25,043	88,473

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	78.50	+0.35	-	-	-	53
Jan	80.50	+0.35	80.25	80.15	82	2,629
Mar	82.50	+0.35	82.25	82.15	92	3,236
May	84.50	+0.35	84.25	84.15	48	2,307
Jul	86.50	+0.35	86.25	86.25	3	217
Total					237	8,345

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Dec	292.50	-0.50	295.00	290.50	15,527	59,711
Mar	309.75	+0.25	311.00	306.50	6,825	46,073
May	317.75	-	319.25	315.50	664	7,181
Jul	326.75	-	328.00	324.00	2,243	18,062
Sep	334.50	-0.50	336.00	332.00	5	771
Dec	346.00	-	348.00	344.50	15	842
Total					24,930	132,649

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Dec	225.25	+3.00	225.50	221.25	86,589	143,984
Mar	236.00	+2.75	236.25	232.50	26,159	104,849
May	242.75	+2.75	243.25	239.75	2,750	36,800
Jul	247.75	+2.25	248.00	244.50	4,342	44,157
Sep	252.50	+1.75	252.75	251.00	241	6,971
Dec	259.25	+1.75	259.50	256.50	779	19,987
Total					119,840	358,209

■ BARLEY LIFFE (100 tonnes; £ per tonne)

Nov	78.25	-	-	-	-	-
Jan	79.85	-	80.00	79.75	14	866
Mar	82.00	-	-	-	-	151
May	83.00	-	-	-	-	33
Sep	81.75	-	-	-	-	-
Total					14	1,050

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Nov	579.75	+6.25	580.00	572.50	5,240	9,896
Jan	586.50	+6.00	587.00	579.00	45,554	67,032
Mar	595.25	+6.50	596.00	588.00	7,935	27,873
May	602.25	+5.25	603.00	595.00	1,251	12,261
Jul	609.50	+5.00	610.00	600.00	1,927	17,001
Aug	609.00	+4.50	610.00	608.00	17	1,111
Total					62,541	142,082

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Dec	24.73	-0.04	24.77	24.61	10,321	41,868
Jan	24.76	-0.03	24.81	24.65	4,225	20,580
Mar	24.79	-0.01	24.84	24.68	2,334	19,934
May	24.78	-0.05	24.83	24.72	632	10,131
Jul	24.80	-0.03	24.86	24.70	643	12,502
Aug	24.78	-0.02	24.85	24.75	3	1,073
Total					18,272	111,133

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Dec	150.8	+2.2	151.2	148.0	18,512	59,711
Jan	152.9	+1.8	153.0	150.7	7,290	24,589
Mar	156.7	+1.3	157.0	154.8	3,351	18,528
May	160.2	+0.8	160.2	158.5	1,851	10,398
Jul	163.7	+1.2	164.0	162.0	773	13,963
Aug	165.0	+1.0	165.3	163.6	66	2,602
Total					32,618	135,810

■ POTATOES LIFFE (20 tonnes; £ per tonne)

Mar	190.0	-5.0	-	-	-	-
Apr	288.0	-3.0	288.0	285.0	143	2,273
May	298.0	-3.0	-	-	-	29
Jun	308.0	-3.0	-	-	-	-
Nov	85.0	-	-	-	-	3
Total					143	2,273

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Nov	985	-	985	985	14	355
Dec	1000	-5	1000	1000	13	237
Jan	995	-15	1000	1000	6	560
Apr	1025	-5	-	-	-	555
Jul	905	-5	-	-	-	276
Total					33	2,284

	Close	Prev
BFI	962	960

PULP AND PAPER

■ PULPEX DMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	432.25	+2.00	432.25	432.25	8	371
Mar	455.50	+2.50	455.50	455.25	11	214
Total					22	620

FUTURES DATA
All futures data supplied by CMS.

Nuts and seeds Prices from Kenkko London $ per m/t. Iranian pistachios 28/30 raw (in shell) naturally opened (round): crop 1997 sold out, but new crop as follows: 28/30 at $2,900, CFR MEP, 20/22 at $3,650 CFR MEP. Turkish hazelnuts 13/15 and 11/13, for crop 1998 indication $4,600 CFR. Indian cashews crop 1998 CFR from top shippers, W320 at $5,800. Market nervous. Packers waiting for African seeds. US almonds standard 5 per cent crop 1998 at $4,150. Moldovian walnuts crop 1998 offered as light halves and pieces at $3,650 CFR MEP (duty paid). Russian snow-white pumpkin seeds round type, crop 1998 at $2,400 CPT.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	977	-5	979	976	2,059	42,918
Mar	1009	-6	1015	1006	2,169	37,933
May	1029	-6	1035	1029	398	16,986
Jul	1046	-6	1049	1046	370	10,211
Sep	1064	-6	1068	1065	219	27,813
Dec	1088	-5	1089	1086	84	11,167
Total					5,299	157,296

■ COCOA CSCE (10 tonnes; $/tonnes)

Dec	1454	-21	1470	1451	5,593	18,848
Mar	1497	-21	1513	1496	3,677	36,337
May	1526	-19	1539	1524	252	8,891
Jul	1553	-20	1565	1555	137	2,572
Sep	1578	-21	1590	1587	592	3,369
Dec	1608	-21	1620	1620	1	5,302
Total					10,392	76,803

■ COCOA (ICCO) (SDR's/tonne)

Nov 10	Price	Prev. day
Daily	1146.38	1127.53

■ COFFEE LIFFE (5 tonnes; $/tonne)

Nov	2125	+55	2130	2080	969	5,827
Jan	1725	+22	1725	1705	3,329	25,541
Mar	1670	+20	1670	1655	1,147	8,172
May	1646	+19	1645	1637	298	3,336
Jul	1631	+19	1630	1625	42	991
Sep	1616	+19	-	-	-	276
Total					5,786	44,373

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Dec	115.60	-1.25	117.75	115.10	5,717	10,705
Mar	112.30	-0.60	113.75	112.00	4,913	12,808
May	112.25	-0.50	113.00	112.50	548	5,135
Jul	113.10	-0.55	113.75	113.50	109	2,081
Sep	113.95	-0.70	114.75	114.65	46	1,472
Dec	115.10	-0.65	-	-	38	693
Total					11,391	32,935

■ COFFEE (ICO) (US cents/pound)

Nov 10		Prev. day
Comp. daily	98.97	99.47
15 day average	97.83	97.48

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

Dec	242.9	+7.5	243.4	235.4	1,957	6,106
Mar	243.8	+8.1	244.7	235.5	6,243	17,873
May	244.0	+7.6	244.0	237.0	1,344	3,826
Aug	244.3	+7.9	244.1	238.1	977	3,233
Oct	238.6	+7.3	238.5	232.0	774	2,724
Dec	240.4	+8.5	240.2	240.2	20	194
Total					11,315	34,294

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	8.38	+0.33	8.39	8.09	12,946	84,818
May	8.45	+0.35	8.45	8.13	1,673	18,428
Jul	8.42	+0.30	8.43	8.12	1,544	15,963
Oct	8.57	+0.29	8.57	8.30	455	10,930
Mar	8.77	+0.26	8.80	8.55	713	7,364
May	8.87	+0.27	8.87	8.60	60	673
Total					17,391	138,677

■ COTTON NYCE (50,000lbs; cents/lbs)

Dec	67.43	-1.72	69.40	67.40	6,095	30,789
Mar	66.83	-1.59	68.49	66.83	4,148	26,752
May	67.34	-1.45	68.76	67.05	863	14,446
Jul	67.90	-1.30	69.20	67.90	351	10,369
Oct	68.05	-1.00	69.10	68.40	5	905
Total					11,586	84,864

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jan	119.20	-0.35	120.35	118.80	1,276	13,088
Mar	121.15	-0.35	122.10	120.70	200	5,813
May	122.75	-0.50	123.85	122.75	14	1,387
Jul	124.25	-0.50	-	-	13	683
Sep	124.75	-0.50	125.00	125.00	1	87
Nov	125.25	-0.25	124.75	124.75	1	234
Total					1,505	21,440

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Nov 11	Nov 10	month ago	year ago
1483.3	1481.5	1459.4	1812.5

■ CRB Futures (Base: 1967 = 100)

Nov 10	Nov 9	month ago	year ago
204.63	204.46	-	-

■ GSCI Spot (Base: 1970 = 100)

Nov 10	Nov 9	month ago	year ago
148.07	146.54	149.78	203.53

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-900	to	525,425
Aluminium alloy	+80	to	36,800
Copper	+5,150	to	472,475
Lead	-975	to	109,225
Nickel	+60	to	60,366
Zinc	-700	to	340,975
Tin	+120	to	8,955

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	63.725	+0.325	64.000	63.400	9,561	39,802
Feb	65.250	+0.325	65.350	64.750	4,360	31,624
Apr	66.525	+0.450	66.600	66.075	1,223	19,588
Jun	64.500	+0.650	64.525	63.850	872	10,854
Aug	64.350	+0.700	64.400	63.600	704	6,597
Oct	66.675	+0.775	66.700	66.000	180	921
Total					16,904	109,455

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Dec	34.150	-0.725	35.175	34.100	4,413	17,345
Feb	41.175	-0.675	42.250	41.050	3,654	11,667
Apr	44.125	-0.225	44.800	44.100	589	4,838
Jun	53.500	-0.125	53.875	53.300	414	3,208
Jul	54.250	+0.025	54.550	54.100	99	1,665
Aug	54.475	-0.025	54.800	54.400	160	1,672
Total					9,419	41,249

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	46.925	+0.425	47.500	45.650	1,230	3,667
Mar	46.000	-0.075	47.200	45.700	102	426
May	47.800	+0.200	48.300	47.400	75	252
Total					1,422	4,434

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Dec	Mar	Dec	Mar
1250	60	94	5	23
1300	26	63	21	42
1350	8	40	53	68
■ COPPER (Grade A) LME	Dec	Mar	Dec	Mar
1500	94	142	6	32
1600	28	83	40	72
1700	4	44	116	130
■ COFFEE LIFFE	Nov	Jan	Nov	Jan
1650	101	95	26	75
1700	70	72	45	102
1750	46	55	71	135
■ COCOA LIFFE	Dec	Mar	Dec	Mar
975	9	50	7	16
1000	2	35	25	26
1025	1	25	48	41
■ BRENT CRUDE IPE	Jan	Feb	Jan	Feb
1200	-	-	-	42
1250	66	-	66	-
1300	45	69	45	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$11.91-1.95x	-0.135
Brent Blend (dated)	$11.41-1.45	+0.29
Brent Blend (Dec)	$12.26-2.30	+0.24
W.T.I.	$13.68-3.72x	+0.22

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$141-143	+2
Gas Oil	$111-113	+1
Heavy Fuel Oil	$57-59	
Naphtha	$129-131	-1
Jet fuel	$125-126	+1.5
Diesel	$118-119	+0.5

■ NATURAL GAS (Pence/therm)

Bacton (Dec)	15.03-15.05	-0.04

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$293.25	+0.50
Silver (per troy oz)♣	498.75c	-1.25
Platinum (per troy oz.)	$338.50	+1.00
Palladium (per troy oz.)	$272.00	
Copper	77.0c	-1.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	20.39r	-0.26
Tin (New York)	260.5	
Cattle (live weight)	81.82p	+4.10*
Sheep (live weight)	63.12p	-0.67*
Pigs (live weight)†	52.91p	+3.19*
Lon. day sugar (raw)	$197.80	+4.60
Lon. day sugar (wte)	$228.20	-4.50
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£108.00	
Wheat (US Dark North)	Unq	
Rubber (Dec)♥	49.50p	
Rubber (Jan)♥	50.00p	
Rubber (KL RSS No1)	273.50m	-1.00
Coconut Oil (Phil)§	750.0y	+15.0
Palm Oil (Malay.)§	660.0	-6.0
Copra (Phil)§	$460.0y	
Soyabeans (US)	158.0y	+1.0
Cotton Outlook 'A' Index	57.50	
Wooltops (64s Super)	296p	

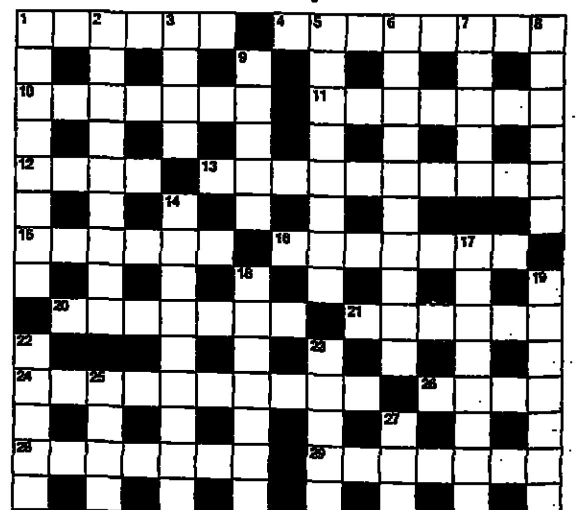
£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Sep/Oct. x Dec. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 3,530 head of pigs sold.

JOTTER PAD

For solutions to today's crossword call 0891 430060. Calls cost 50p a minute.

CROSSWORD

No.9,837 Set by ORENSE



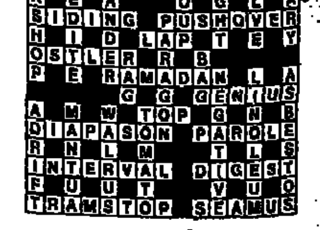
ACROSS

1 A stubborn type needing time and charm (6)
4 Terribly dear! Been to town? (8)
10 A bit of European pond life (7)
11 Good way to keep party very sober (7)
12 Right way out? Wrong (4)
13 How the police run! See how they fly! (10)
15 Team drawing one all (6)
16 Fall back on drink – she's heartless (7)
20 High roller eventually runs into mug (7)
21 Take a dive, needing breather during exercise (6)
24 Lead horse in chase for killer (10)
26 Tail end of queues ignored (4)
28 Pain I've gone into to get there (7)
29 A load of rubbish – not quite like mother of pearl (7)
30 Can time heal without medicine? (8)
31 Quick to help stage recovery (6)

DOWN

1 Beastly consumer before rate changes (8)
2 Slips are subject to friction (9)
3 Love God and lift pain (4)
5 Smoker in reserves is windy player (8)
6 Can follow logic – it's not expensive (10)
7 Always first to turn out (5)
8 Official denial – attempt to conceal a .... (6)
9 .... disease from staff everywhere (5)
14 Task force's air of indifference (10)
17 Traffic noise over M1 (5,4)
18 Animals have rising grass under control (8)
19 Feeling ecstatic – that's not without love (8)
22 Oppose what changes? For what ends? (6)
23 Set out, say, in prohibition (5)
25 When the female becomes drained (5)
27 Shock second thoughts on appearance (4)

Solution 9,836



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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

CAYMAN ISLANDS (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

Offshore Funds and Insurances

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Newton Fund Mgrs - Contd.

Newton Offshore Strategy Fund Ltd

Perpetual Fund Management (Jersey) Ltd

PO Box 459, State Street, St Helier, Jersey 01534 607600

Perpetual Offshore Income Accumulator Fund Ltd

Prudential Fund Managers (Jersey) Ltd

PO Box 102, St Helier, Jersey 01534 608000

Royal Bank of Scotland Fd Mgrs (Jersey) Ltd

Royal Bank of Scotland International Ltd

For TSB Fd Mgrs see Lloyds TSB Fd Mgrs

JERSEY (REGULATED)(**)

ABSA Offshore Fund Managers (Jersey) Ltd

LUXEMBOURG (FSA RECOGNISED)

ABN AMRO Funds (a)

4 Rue Jean Monnet, L-2180 Luxembourg 352 42494935

Aberdeen Fund Mngrs (Luxembourg) Ltd (a)

4 Boulevard Royal L 2449 Luxembourg 00 352 225301

American Phoenix Investment Portfolios (a)

13 rue Goethe, L-1637 Luxembourg 00 352 404648211

Fleming Group - Contd.

Mercury Asset Management

Templeton Global Strategy Funds (a)

LUXEMBOURG (REGULATED)(**)

Cox & Kings Overseas Fund

MFS American Funds

Templeton Russian & East European Debt Fd

OFFSHORE INSURANCES

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OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

FOOD PRODUCERS - Continued

GAS DISTRIBUTION

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
BG	†	401xd	-1	423	249½	4,178	2.6	34.1
Centrica		115	+1	126	80¾	6,688	-	-
International Energy	†	132xd	-1	147	99½	466	3.8	13.4

HEALTH CARE

HOUSEHOLD GOODS & TEXT

INSURANCE

INSURANCE - Continued

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

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Brierley, Shamrock in talks

Railways posts at interim stage

Accounting

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Continued

SUPPORT SERVICES

TRANSPORT - Continued

WATER

AMERICANS

CANADIANS

PROPERTY - Continued

SUPPORT SERVICES - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Anglo Am Ind R		£10¾	+⅜	*£19⅞	£6¼	-	5.9	6.1
Barlow R	♣	£3⅞	-⅛	£6⅝	£1⅞	-	4.3	9.0
Investec Group		£21	-1⅛	£26⅜	£12⅝	-	-	-
Investec Hldgs		£20⅞	-⅞	£26⅞	£12⅝	-	-	-
SA Breweries R	†	£11⅝	-⅞	£20⅞	£7¼	-	3.1	16.2
Standard Bank R		£1⅞	-⅛	*£3⅝	£1⅛	-	3.3	9.6
Tiger Oats	†	600	- -	988	375	-	2.8	12.8
Tongaat-Hulett R		411¼	-4	762½	287¼	-	5.3	1.2

TRADED INDEX SECURITIES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
FTSE 100 TRANS		£5798xd	- -	£61200	£472	-	-	-

AIM

Alternative Investment Market

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the SE Official list.

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
10 Group		1	- -	3¼	0¾	-	-	-
AFA Systems		105	—	191	74½	-	-	-
AIMCO		95	- -	133½	93½	-	9.2	7.1
ATA	2	127½	—	187½	127½	-	2.0	10.0
AdVal Group		47½	—	67½	47½	-	-	12.6
Access Plus	♣†	180	—	271	180	-	3.4	15.3
African Gold	♣	4¼	—	8	3¼	-	-	-
Albemarle & Bond	♣	68½	—	95½	33½	-	1.8	18.4
Alizyme	♣	28½	+1½	43½	24½	-	-	-
Ambient Media	♣	45½	—	102½	42½	-	-	-
Ambishus Pub Co	♣	120	—	290	117½	-	-	-
Anglo Siberian Oil Co		101	—	108½	98½	-	-	-
Anglo-Welsh	♣	99xd	- -	110	72½	-	3.8	8.1
Ardonov	♣	89	-½	117½	74½	-	-	Φ

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
VFG	♣	43½	+½	84½	37	-	2.9	9.1
VI		19½	- -	69½	16	-	-	18.5
Victory Corpn	♣	11½	—	47	8½	-	-	-
Voss Net		88½	- -	200	57½	-	-	-
WMI	♣	37½	- -	85½	25½	-	-	35.8
Weather Action		62½	-4	97½	63½	-	-	-
Weeks Group	♣	2⅝	- -	5⅛	2⅛	-	5.0	7.1
West 175 Ents	♣	69	- -	87	45	-	-	-
West Bromwich Albion		£118	—	£145	£95	-	-	13.3
Western Select	♣Z	9¼xd	- -	13½	8	-	3.4	27.5
Westmount Energy	♣	35	—	380	35	-	-	Φ
Winchester		71½	—	84½	55½	-	-	37.4
World Telecom	♣	95	—	205	95	-	-	-
Xpert Computer		11	—	13½	5½	-	-	10.5
Yeoman		65½	—	93½	54	-	-	-

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4.30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price-earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 21.4(a)(iv) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies
- # Price at time of suspension
- . Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
z Dividend yield excludes a special payment
F Yield based on prospectus or other official estimates for 1998-99.
G Assumed yield after pending scrip and/or rights issue
H Yield based on prospectus or other official estimates for 1999
K Yield based on prospectus or other official estimates for 1998
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98
N Dividend is paid in whole or part as a FID (foreign income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
, ex dividend
, ex scrip issue
, ex rights
, ex all
, ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1495 a year for each security shown, subject to the Editor's discretion.

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You can obtain the current annual/interim report of any companies annotated with the ♣. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports may also be ordered via the internet at http://www.icbarc.com. All reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details. Calls are charged at 50p per minute at all times.

An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.

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For Retail Price Index details call 0891 43 0005

The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

LONDON STOCK EXCHANGE

Company results give welcome boost to shares

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

A handful of reassuring corporate news reports from leading FTSE 100 constituents and a strong showing by Asian markets gave shares in London a welcome boost after the losses of the previous two sessions.

That good news helped offset the impact of Tuesday's lacklustre performance by Wall Street, where the Dow Jones Industrial Average gave up 33 points after an erratic session.

Although finishing well off its best – 5,516.3 – the FTSE 100 index still settled 44.5 ahead at 5,476.8.

Second-line stocks, which suffered badly in the two-day setback, traded higher for much of the session but came off towards the close, with some dealers talking about a small sell programme late in the day involving midcaps.

The FTSE 250 index eventually closed 1.6 off at 4,872.8, having been up 15.8 at the day's best. The FTSE SmallCap, on the other hand, went from strength to strength, moving up 8.9 to 2,066.9, only a fraction off the session-high of 2,068.8.

There was no lift for UK stocks when Wall Street opened in uneasy fashion, thanks to some uncertainty about the prospects of another cut in US interest rates.

The day's domestic economic news, which included another increase in unemployment and the Bank of England's quarterly inflation report, caused few problems for the market.

The inflation report said the Bank expected 1999 economic growth of about 1 per cent and forecast inflation to edge above its 2.5 per cent target next year before returning to that level in two years' time.

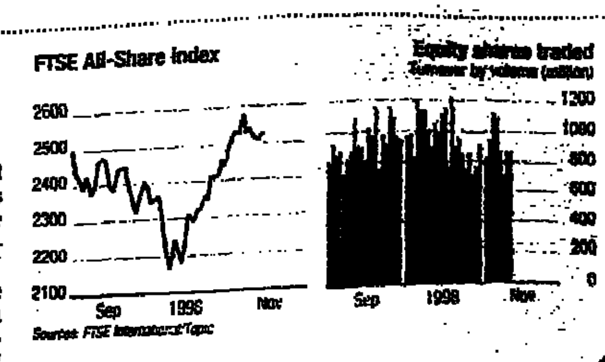
The strategy team at Credit Suisse First Boston noted: "Having rallied strongly from oversold levels in the third quarter, Footsie has begun to look directionless in recent days, with the bad news on earnings offsetting the interest rate bull story. While the index looks likely to remain trapped in the 5,250-5,650 range in the near term, the strong run in Asian markets should encourage an advance towards the upper bound."

Richard Lake, a chartist at stockbroker Brewin Dolphin, said: "Where to from here? It is encouraging, short to medium-term, that Footsie is decisively above its 50-day moving average, which itself is now rising. Longer-term, the 200-day moving average and the top area above 5,700 constitute a serious barrier of resistance. Therefore it is reasonable to expect a short period of consolidation and I remain cautious."

CGU, British Energy and Cable & Wireless were the three FTSE 100 constituents that helped get the market off to a splendid start, helping to offset the recent trend of poor results and profits downgrades that have gnawed away at the market's confidence.

And there was a welcome burst of takeover activity in the smaller stocks, with Marston Thompson & Evershed confirming a bid approach by fellow brewer Wolverhampton & Dudley, Heritage Bathrooms noting an approach and Prism Leisure announcing a management buyout proposal.

Activity in the market was relatively light, with turnover reaching the 850m shares mark by 6pm.



Indices and ratios

FTSE 100	5476.8	+44.5
FTSE 250	4872.8	-1.6
FTSE 350	2613.2	+17.4
FTSE All-Share	2527.38	+16.60
FTSE All-Share yield	3.10	3.12
FT 30	3328.2	+34.5
FTSE Non Fins p/e	21.15	21.08
FTSE 100 Fut Dec	5502.0	+32.0
10 yr Gilt yield	5.14	5.07
Long gilt/equity yld ratio	1.62	1.63

Best performing sectors

1. Tobacco +4.6
2. Alcoholic Beverages +3.3
3. Insurance +2.9
4. Diversified Industrials +2.9
5. Electricity +2.4

Worst performing sectors

1. Leisure & Hotels -1.1
2. Oil Exploration & Prod +1.1
3. Distributors -1.1
4. Chemicals -0.8
5. Property -0.6

Pay-TV fears hit Carlton

COMPANIES REPORT

By Peter John, Martin Brice and Joel Kibazo

Carlton Communications was the worst performer in the Footsie with a fall of 19½ to 403p. Analysts said On Digital, the terrestrial pay-TV service in which Carlton has a 50 per cent stake, would be launched on Sunday and the market was becoming cautious about its competitive potential.

Dealers said some of the big investment institutions had been lightening holdings in the stock recently and that was putting pressure on the stock. They said Prudential, Axa and Morgan Grenfell were net sellers and outgunned M&G and PDFM on the buy side.

A dramatic shift in stance by a leading broker on Avis Europe, one of the market's best-performing stocks in the past year, turned them into FTSE 250 laggards in very heavy volume.

The downgrade, by Peter Bergius at ABN Amro, was more even more surprising after upgrades following sparkling interim data from the car-hire group in September. His move focused on British Airways' recent announcement that premium traffic was declining rapidly and on the effect of a likely UK downturn on Avis.

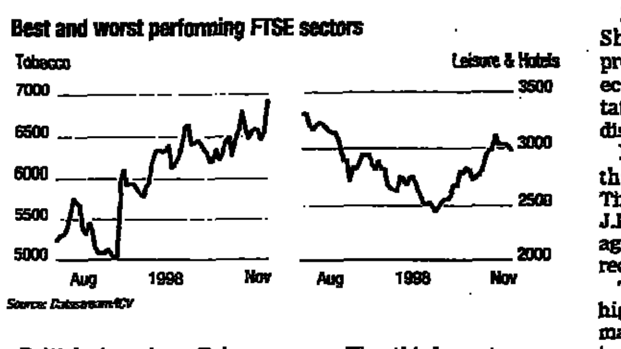
He believed Avis had seen a dramatic slowdown in the UK, its key European market, and moved from a "buy" recommendation to a "hold". The shares, which have outperformed the market by 57 per cent in the past year, were down almost 6 per cent, or 14½ to 240½p in volume of 5.6m. The company is due to meet analysts at a series of meetings in December.

British Energy powered ahead 37 to 620p on the back of what one analyst described as "staggeringly good" numbers.

The market had expected interims to come in at around £15m and the generator posted pre-exceptional profits of £46m prompting forecast upgrades across the board.

Merrill Lynch boosted its full-year prediction by 18 per cent to £245m and reiterated its recommendation of Energy as its "favoured buy" in the sector with a price target of 700p.

The prospect that Energy might win the bid for London Electricity and the defensive attractions of the sector also helped. Scottish Power gained 27½ to 638½p and Southern Electric rose 25 to 673p.



British American Tobacco rose 32 to 517p amid renewed hopes of a settlement in US smoking litigation.

The optimism sprang from reports that negotiating state attorneys-general hope to have a final proposal to all states on a deal by tomorrow. However, a tobacco sector spokesman denied that a final deal had been reached.

The attorneys-general were apparently told during a conference call on Monday that the bulk of the deal had been worked out. Under the deal, big tobacco companies would be required to pay about $200bn over 25 years and to accept certain marketing restrictions.

Analysts said the settlement would hurt companies' earnings for 25 years but help equity valuations.

Relief flooded through the insurance sector as CGU posted data that painted a much brighter picture than most analysts had expected.

The market had been stunned by the figures from Royal & Sun Alliance last week and had been quietly edging down their numbers for CGU. In the event, the CGU data were down but not out. The third-quarter number of £157m compared badly with the £243m achieved last year but compared well with the consensus range. CGU jumped 36 to 929p while Royal added 17 at 513p.

The much talked-about restructuring and consolidation in the brewing sector appeared to finally be under way when brewing group Wolverhampton & Dudley confirmed press speculation that it was considering a bid for rival Marston, Thompson & Evershed. Reports spoke of a 275p-per-share bid from Wolverhampton. Marston shares gained 32½ to 231p while Wolverhampton closed unchanged at 419p.

However, several analysts were sceptical about the wisdom of Wolverhampton's move. One said: "Attractive as this deal may be, Wolverhampton may have to do a rights issue to do this deal, which could be a problem in current market conditions."

Tate & Lyle shines

A recovery in sweeteners group Tate & Lyle saw it end the day as the best performer in the FTSE 250. The shares fell sharply on Tuesday after what dealers said was a "rogue" trade. The stock gained 30 or 9.26 per cent to 354p.

Anglo-Dutch giant Unilever followed the market trend, the shares rising 4 to 629p. SG Securities was cautious on the stock, rating the shares "underperform".

In a note to clients, Carl Short said: "Continuing problems in many emerging economies could leave expectations for 1999 vulnerable to disappointment."

Pearson, the media group that owns the Financial Times, gained 11 to £10.31. J.P. Morgan initiated coverage of the stock with a "buy" recommendation.

Telecoms stocks were led higher by a strong performance from Energis, which jumped 35 to 795p.

ABN Amro reiterated a "buy" recommendation on the group, which sells telecoms services to business customers, before its interim results next week.

The broker predicted pretax losses would decline while Energis's revenues were forecast to increase 66 per cent to £115m.

"Despite recent outperformance, the shares continue to offer value and look cheap relative to their peer group," says the broker, which has a share price target of 855p.

Support services company Serco ended the day's trading 62½ off at 992½p in thin volume as a rumour did the rounds that Merrill Lynch was trying to place a large line of stock.

Heritage Bathrooms was up 44 at 196½p after it said it had received a bid approach at 220p a share. The stock reached 297p earlier this year but had since fallen back to 157p.

Household goods company Jourdan was down 5 at 40½p after it said a fire had totally destroyed its factory that made fire surrounds.

Stanford Rook gained 16½ to 92½p after the pharmaceuticals company increased control of some patents via an agreement with University College London.

The move paved the way for a licensing agreement with a larger company, which is likely to be announced very soon.

FT 30 INDEX

	Nov 11	Nov 10	Nov 9	Nov 6	Nov 5	Yr ago	*High	*Low
FT 30	3328.2	3291.7	3320.8	3347.4	3332.5	3091.1	4004.9	2790.6
Ord div. yield	3.17	3.19	3.17	3.15	3.16	3.67	4.22	2.72
P/E ratio net	21.15	21.00	21.12	21.30	21.22	20.01	25.41	15.80
P/E ratio nil	21.06	20.91	21.03	21.21	21.13	19.74	25.19	15.71

FT 30 since compilation: high 4004.9 15/07/98; low 49.4 26/06/40. Base Date: 1/7/35

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3291.7	3318.2	3326.4	3338.9	3342.4	3334.3	3335.1	3315.6	3346.6	3291.7

STOCK MARKET TRADING DATA

	Nov 11	Nov 10	Nov 9	Nov 6	Nov 5	Yr ago
SEAQ bargains	58,460	57,101	63,625	64,156	71,891	49,848
Equity turnover (£m)†	-	2727.9	2456.0	2620.1	3076.1	2125.3
Equity bargains†	-	46,723	47,950	51,365	57,887	35,127
Shares traded (m)†	-	750.7	723.1	748.0	977.0	626.6
Total market bargains‡	-	56,899	63,913	345,929	73,335	-
Total turnover (£m)‡	-	3555.2	3272.8	20008.4	4215.4	-
Total shrs traded (m)‡	*858.3	942.4	917.8	5602.0	1219.8	-
Tradepoint turnover (£m)	17.5	22.3	13.7	24.6	26.0	45.9
Tradepoint shrs traded(m)	7.8	10.2	5.5	12.0	11.9	16.3

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	705	Total Highs	29	Total contracts	25,579
Total Falls	442	Total Lows	53	Calls	16,444
Same	1,785			Puts	9,135

Nov 11 *Data based on Equity shares listed on the London Share Service

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Nov 11	Day's chge%	Nov 10	Nov 9	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5476.8	+0.8	5432.3	5433.9	4720.4	2.94	2.51	1.97	21.55	132.77	2420.68
FTSE 250	4872.8	—	4874.4	4934.9	4581.1	3.63	3.08	2.13	16.13	122.45	2111.99
FTSE 250 ex Inv Tr	4908.2	-0.1	4913.7	4976.1	4626.8	3.77	3.20	2.21	15.03	128.95	2136.15
FTSE 350	2613.2	+0.7	2595.8	2601.9	2288.0	3.05	2.61	2.01	20.38	63.71	2360.13
FTSE 350 ex Inv Tr	2619.1	+0.7	2601.6	2607.6	2291.4	3.07	2.62	2.02	20.17	64.21	1213.36
FTSE 350 Higher Yield	2531.1	+0.9	2507.6	2515.9	2281.0	4.08	3.46	1.93	15.89	81.02	1960.24
FTSE 350 Lower Yield	2692.8	+0.4	2682.0	2685.9	2307.4	1.97	1.70	2.18	29.16	48.47	1970.36
FTSE SmallCap	2068.69	+0.4	2059.81	2066.40	2291.83	4.02	3.27	1.97	15.78	54.45	1820.17
FTSE SmallCap ex Inv Tr	2029.92	+0.4	2022.04	2025.39	2311.72	4.36	3.55	2.07	13.87	57.75	1806.11
FTSE All-Share	2527.38	+0.7	2510.78	2516.81	2243.78	3.10	2.64	2.00	20.10	61.83	2316.56
FTSE All-Share ex Inv Tr	2536.12	+0.7	2519.49	2525.16	2248.52	3.12	2.66	2.02	19.79	62.59	1196.09

FTSE Actuaries Industry Sectors

	Nov 11	Day's chge%	Nov 10	Nov 9	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(20)	4085.88	-0.2	4102.19	4155.29	4445.62	3.64	3.25	1.51	22.68	132.12	1911.13
12 Extractive Industries(6)	2806.26	-0.5	2819.53	2861.57	3739.02	4.87	4.49	1.99	12.89	126.49	903.79
15 Oil, Integrated(3)	4675.45	—	4677.54	4733.25	4831.07	3.54	3.13	1.45	24.38	145.75	2243.46
16 Oil Exploration & Prod(11)	2051.55	-1.1	2074.69	2124.92	3723.37	2.68	2.34	0.96	48.76	46.95	1284.05
20 GEN INDUSTRIALS(211)	1746.53	+0.1	1745.05	1766.90	1983.80	4.20	3.70	2.22	13.39	58.65	1042.83
21 Construction(39)	1279.80	-0.6	1287.07	1304.04	1357.10	4.00	3.23	2.98	10.58	37.73	1198.49
22 Building Matls & Merchs(26)	1601.28	-0.6	1611.38	1637.53	1769.94	4.66	4.04	2.12	12.62	58.57	887.99
23 Chemicals(23)	2004.48	-0.8	2020.18	2052.84	2399.01	4.57	4.28	1.76	15.51	72.95	1041.58
24 Diversified Industrials(6)	1152.17	+2.9	1119.98	1123.88	1306.05	4.81	4.56	2.10	12.40	57.13	729.85

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 11 / Sch)

BELGIUM/LUXEMBOURG (Nov 10 / Frs.)

CZECH REP (Nov 11 / Koruna)

DENMARK (Nov 11 / Kr)

FINLAND (Nov 11 / Mka)

FRANCE (Nov 10 / Frs.)

		+/-	High	Low	Yld	P/E
AGF	317	–	[illegible]	[illegible]	[illegible]	[illegible]
Accor$	1,124	–	*1,785	801	2.0	26.5
AirLiq	909	–	*1,052	754.72	1.5	21.5
Alctel	583	–	*1,425	437	2.0	20.0
Alstom	135.90	–	*206	103.90	–	–
Atos$	1,031	–	*1,650	700	–	58.6
Axa	633	–	*857	417.30	1.4	28.0
BIC	363	–	*510	279	1.7	25.1
BNP	349	–	*578	257.20	2.0	12.3
Bongrn	2,490	–	*3,259	2,200	2.6	16.8
Bygues	1,214	–	*1,269	670	1.4	41.3
CGIP	285	–	*379.80	195	1.5	18.3
CNP	185	–	*194.70	149	–	–
CPR	235	–	*529	205	9.4	7.8
Canal+	1,375	–	*1,395	1,020	1.5	28.5
CapGem	850	–	*1,017	468.51	0.4	88.3
Crfour	3,875	–	*4,018	2,806	0.8	48.6
Casino	537	–	*594	331.10	1.5	39.7

GERMANY (Nov 11 / Dm.)

		+/-	High	Low	Yld	P/E
Puma	26.50	-.30	*50.55	25	0.8	6.0
RWE$	87.60	+1.60	*111.50	75.70	1.8	24.7
RWE Pf$	59.40	+1.40	*85.20	50.50	2.7	20.1
RWEdea	500	–	*515	425	3.2	–
Rhnmtl	43	–	*63	32	1.9	13.1
Rosntl	160	–	*215	126	–	–
Ruetgs	270	-3	*327	230	1.9	16.4
SAP	768	+12	*1,230	618	0.4	–
SAP Pf	860	+13	*1,326	560	0.3	–
SGLCar	113	-2	*268	98	2.1	11.4
SKW	46.30	+2.50	*72.90	39.50	2.6	13.2
Schrng	194.50	+7.30	*227.50	156	1.3	29.8
SchLub$	258.50	+.80	*480	175	2.3	8.4
SchwPh$	113	+4.50	*154.80	83	1.8	19.2
Siemns	112	+3.20	*140.50	74.50	1.3	24.1
SpAxRg	1,240	–	*1,620	910	1.6	18.9
Strbag	115	-5	*197.40	95	–	–

GREECE (Nov 11 / Drachma)

ITALY (Nov 11 / Lira)

		+/-	High	Low	Yld	P/E
ENI	9,875	+80	*13,530	8,600	2.8	15.5
Edison	16,330	+580	*18,505	10,300	1.3	25.7
Fiat	4,710	+35	*8,025	3,890	2.6	10.8
FiatPr	2,540	-15	*5,610	2,240	4.7	–
Fiat R	2,770	-25	*5,626	2,405	5.4	6.4
Finmec	1,293	+13	*2,790	875	–	–
Fndiar	8,100	+235	*14,046	5,705	1.7	53.8
Gemina	1,125	+14	*1,798	695	1.8	7.6
GenAss	60,700	+400	*72,580	43,257	0.6	51.9
HdLP.	1,077	+22	*2,380	780	1.4	14.2
IFI Pr	26,200	+1,050	*52,490	16,580	2.0	–
IFIL	6,075	+35	*11,924	4,500	2.1	14.1
IFIL S	4,220	+45	*8,004	3,135	3.5	9.8
Ina	3,910xc	+28	*5,270	2,678	1.8	27.3
Italcm	15,885	+245	*23,180	11,050	0.9	59.2
Italcm	7,050	-180	*11,400	5,025	2.3	–
Italgas	7,875	-30	*8,750	6,750	1.7	–
Espres	14,350	-50	*18,398	8,185	1.6	36.2
MagMar	2,575	-10	*5,868	2,125	3.5	33.9
Mdiolo	14,875	-405	*23,650	13,600	2.3	18.6
Medlnm	11,280	-20	*13,200	6,530	2.0	28.3
Medbnc	18,400	+100	*32,590	12,411	1.2	35.0
Montedi	1,785	+41	*2,895	1,401	2.2	6.9
MontRs	1,415	+16	*2,650	1,140	4.2	22.5
Olivet	4,040	+100	*4,445	1,063.32	–	–
Pirell	3,160	+110	*4,882	3,150	3.2	9.5
PirSpa	5,000	-100	*7,140	3,490	2.4	19.1
PrestFn	1,090	+2	*2,309	742	–	–
RAS Ri	14,500	+400	*22,30	10,200	2.8	18.9

NETHERLANDS (Nov 11 / Fls.)

		+/-	High	Low	Yld	P/E
CapGem	123.30	-2.20	*183.10	69.10	1.8	41.7
DSM	179	+2.70	*223.40	138	5.8	8.2
DedaPe	78.70	+.50	*119.20	74.10	4.0	28.1
EVC	16	+.10	*46.50	15.30	18.8	6.8
Elsevr	28.20	-.30	*38.30	24.20	3.6	19.1
FAmvDB	125.20	+1.70	*151.50	82	2.0	22.7
Gamma	78.50	+.50	*127.80	63	5.7	7.0
Getrnr	87.50	+.10	*121	56.20	0.5	42.7
Grlach	55.70	+1.20	*64.50	45	2.3	17.4
Hagmyr	65	-.70	*105	42.50	2.1	18.7
Heinkn	102.90	+.60	*104.70	58.40	0.7	33.9
HollBe	24.90	+.80	*46.10	21	5.8	6.9
HgvDoR	59.10	+.50	*111.10	43.50	5.6	4.2
HunDgl	69.50	+3.90	*118	45	2.2	12.9
IHCCal	83	-1.70	*137	65.80	2.7	18.0
ING	100.40	+2.80	*133.30	69.40	2.6	19.1
INGBnG	66.91	–	*65.92	54.98	–	–

NORWAY (Nov 11 / Kroner)

POLAND (Nov 10 / Zloty)

		+/-	High	Low	Yld	P/E
BkHdlwy	45.60	–	*75	28.10	3.0	5.1
BkPkao	41	–	*64	31	–	–
Elktrm	38.50	–	*54.50	27	0.6	50.6
Exbud	30.10	–	*49	23	–	17.6
Mostalt	19	–	*34.10	14.80	–	13.0
WBK	21.50	–	*33.50	16	1.7	12.5
Wlcznk	12.30	–	*20.50	11.80	–	4.7
Zywiec	451	–	*545	271	0.6	35.8

PORTUGAL (Nov 11 / Escudo)

SPAIN (Nov 11 / Pts.)

		+/-	High	Low	Yld	P/E
GrDraF	1,310	-10	*2,170	920	1.1	39.5
HidCan	6,750	–	*7,850	5,850	2.4	–
Iberdr	2,395	+25	*2,670	1,820	2.3	21.3
Kolpe	5,090	+30	*7,680	4,610	3.7	26.1
Mapfre	3,610	+40	*6,530	2,500	1.8	21.3
Mtrova	4,070	+45	*4,800	2,970	2.1	–
PortV	5,680	+170	*7,680	4,000	0.9	28.7
Pryca	2,680	-20	*3,520	2,265	1.8	25.1
Repsol	7,350	+10	*8,670	5,700	2.0	17.5

SWEDEN (Nov 11 / Kronor)

		+/-	High	Low	Yld	P/E
OrklaA	84	-1	*129	82	6.2	2.4
OrklaB	82	-1	*127	80	6.6	2.3
OrklaA	115	+2	*225	78	1.9	8.8
Ortdo	102	+6	*202	67	2.1	7.8
PetGeo	147	+1.50	*285	93	–	70.7
RiebsB	80	+2	*86.68	52	1.0	12.8
RiebsA	63	–	*91.56	53	1.0	13.5
SAS B	88	+2	*136	62	5.4	7.3
Saga A	82	-2.50	*145.28	62.50	4.3	13.2
Scibst	83	+2	*151	78	2.1	11.8
SmdegB	65	+4	*175	48	3.5	4.5
Stthl	85	–	*165	75	1.7	–
Strond	55.50	+2.50	*75	38.50	–	15.0
Todbrg	80	+2	*192	42	–	28.8
Unitor	74	+.50	*130	68	4.7	18.7
WilhmA	200	–	*310	160	2.2	4.4
Wilhm	195	–	*299	145	2.3	4.3

SWITZERLAND (Nov 11 / Frs.)

TURKEY (Nov 11 / Tk Lira)

PACIFIC

JAPAN (Nov 11 / Yen)

		+/-	High	Low	Yld	P/E
CanonS	1,625	+29	*1,889	1,400	1.1	23.2
CasioC	800	-2	*1,360	737	1.8	19.0
CenFin	197xd	+5	*267	170	2.5	22.4
CenGls	180	–	*310	152	2.8	15.0
ChibaB	455xd	+25	*570	378	1.1	68.9
Chyoda	155	+10	*361	125	–	–
ChyFM	399	-10	*550	375	1.8	32.4
ChubuE	2,320xd	+20	*2,350	1,870	2.2	43.0
ChgPhm	1,065xd	+5	*1,090	580	1.1	28.9
ChugEP$	2,155xd	-10	*2,300	1,810	2.3	29.8
MnMar	604	+21	*805	505	1.2	40.8
MitMnS	567	+17	*649	475	0.9	30.2
MitOsk	190	-3	*250	160	2.1	25.0
MitSok	446xd	+19	*600	275	1.3	27.0
MitTrB	179xd	+10	*470	102	2.8	52.6
Mitsish	339	+13	*505	275	1.8	–
MitmEl	2,280	-70	*2,845	1,750	0.8	12.2
Miyk	175xd	+1	*274	109	2.9	56.5
MzSport	346xd	-1	*509	340	1.7	47.2
MochPh	481xd	+1	*699	410	1.6	35.6
MrnogM	285	+4	*320	203	1.8	24.4
Mori S	1,205	-2	*1,888	1,014	0.8	13.4
MurMan	4,010xd	-90	*5,000	3,270	0.5	24.4
Mycal	566xd	+3	*1,160	493	3.9	17.3
NEC	943xd	+10	*1,560	762	1.2	36.4
NGK In	1,289xd	+43	*1,330	1,050	0.8	40.6
NGK Sp	1,105xd	+5	*1,319	709	1.0	36.8
ToyoSk	2,140xd	+75	*2,460	1,410	0.4	32.3
Tyotaki	3,030xd	+170	*3,860	2,530	0.8	25.4
ToyoTR	217	-4	*345	180	1.8	41.7
ToyoTB	393xd	+34	*952	230	1.8	–
Toyobo	152	+1	*228	128	3.3	–
TsChkln	237xd	-6	*521	218	2.5	16.8
Tsgami	121	-4	*242	100	–	–
UBE	160	+8	*242	135	1.9	30.2
Unitk	82	+2	*159	66	–	–
Wacoal	1,308	-29	*1,460	1,120	1.0	24.7
YmabeC	1,273xd	+33	*1,850	1,010	0.8	18.5
YmahaM	878xd	+8	*1,210	646	0.9	13.6
Ymnchi	3,280xd	-50	*3,510	2,750	0.7	–
YamtCp	1,225xd	+39	*1,690	1,060	1.0	22.9
Ymnkog	591xd	+37	*1,238	470	0.8	15.6
YmTran	1,421xd	-30	*1,800	1,235	1.0	34.7
YmzBak	1,410	-30	*1,598	1,112	1.1	33.9
YasdF	303	-3	*447	140	2.5	39.0
YasFs	605	+21	*771	475	1.2	42.3
YasTrB&	148	+14	*290	63	1.7	40.3
YkgwEl	615xd	+19	*871	550	1.2	20.8
YkhmBk	258xd	+5	*461	220	1.9	–
YkhmRb	285xd	+6	*425	263	2.6	–
YomLnd	280xd	-10	*466	258	1.8	41.8
YoshPh	1,253xd	+3	*1,349	458	0.7	32.9
Yuasa	283	+8	*520	69	–	–
Zexel	236	+9	*385	220	2.5	–

AUSTRALIA (Nov 11 / Aust$)

		+/-	High	Low	Yld	P/E
AMP	20.31	+.61	*23	18.10	–	–
APN N&M	2.08	–	*2.85	2.07	4.0	–
Acacia	2.45	+.04	*2.85	1.27	1.8	30.7
Amcor	6.87	+.04	*7.56	5.64	5.5	17.5
Ashton	0.81	–	*1.60	0.60	7.4	13.5
ANZ Bk	10.16	+.14	*12.04	8.28	4.7	13.2
AusFou	2.78	–	*3.02	2.40	3.9	28.1
AusGLt	11.80	+.30	*13.85	9.45	3.5	17.9
AMI	0.87	+.01	*1.44	0.64	2.1	40.4
BHP	13.47xd	-.02	*18.10	11.29	3.8	–
BkWstA	3.05xd	+.04	*3.45	2.60	5.1	14.2
Beacnl	1.16	+.11	*1.21	0.78	–	–
Boral	2.38	+.02	*3.98	2.21	6.3	13.6
BougCp	0.21	–	*0.58	0.14	–	–
Brmble	36.99	+.69	*37.18	28.35	2.0	34.0
BrierI&	0.44	–	*1.10	0.26	20.7	–
BrwaPh	0.15	+.02	*0.27	0.04	–	–
CSR	3.50	+.07	*5.56	3.15	7.8	–
Coltex	4.0[illegible]	–	*5.20	3.45	6.2	17.1
CpProp	2.07	-.04	*2.44	2	8.1	11.6
CarltHl	1.45	-.05	*2.56	0.89	4.0	–
CrywdE	1.20	–	*3.19	0.89	–	–
CCAmal	5.94	+.05	*8.08	3.75	–	49.5
CCBew	3.60	+.05	*5.10	3	–	–
ColesM	7.37	+.22	*8.05	5.92	3.3	23.0
Cinal	5.28	+.10	*5.88	3.10	1.3	58.7
Cmalco	6.30	–	*7.07	5.09	1.2	11.8
CommBk	20.46	+.47	*20.75	16.86	5.1	17.5
Cultus	0.64	+.01	*2.75	0.40	–	–
Davids	0.41	–	*1.18	0.29	–	–
DeltaG	2.47xr	+.07	*2.75	1.38	2.4	12.1
Email	2.48	+.02	*3.83	2.22	6.9	18.2
FAI	0.71	–	*0.75	0.41	–	–
FC Brd	2.49	–	*3.80	1.50	4.5	–
FC En	3.51	-.02	*5.98	2.46	4.2	–
FC Fst	0.85	-.03	*1.37	0.34	8.2	–
FC Pap	1.08	-.08	*2.57	0.79	2.5	–
Fairfx	2.91	+.05	*3.31	2.52	3.3	–
Foultg	7.11xd	-.09	*8.10	6.30	2.8	21.7
Fdland	8.80	+.05	*12.00	8.30	5.2	18.4
Fostrs	4.06	+.03	*4.15	2.81	2.7	15.7
Frtnc	4.72	-.08	*5.45	4	5.3	19.4
GnPtTr	2.81xd	+.07	*3.03	2.48	7.2	14.0
GIOAus	5.10	–	*5.23	3.70	4.3	–
Gandal	1.16xr	-.02	*1.24	1.01	–	15.3
Gldfld	1.71	-.04	*1.88	1.15	2.3	59.0
GdmanF	2.11	+.05	*2.60	1.93	3.6	20.1
GtCenM	1.28	–	*2.36	0.84	4.8	9.4
HrdieJ	3.17	+.08	*5.21	3.04	4.6	30.8
Jupitr	2.83	+.08	*3	2.20	4.8	18.1
Kidstn	0.52	-.03	*0.86	0.35	–	8.7
LendLs	38.01	+.58	*39.40	28.70	2.8	26.4
LihirG	2.15	+.04	*2.78	1.46	–	–
Lion N	4.30	+.02	*4.65	3.30	3.7	–
MIM	0.85	+.02	*1.09	0.68	2.9	17.4
McqrBk	13.35	+.16	*15.60	11.10	3.8	15.2
MayneN	7.34xr	+.08	*9.86	7.04	4.1	55.6
McPhsn	1.06	+.01	*1.80	0.85	6.1	15.4
MetMf	2.20	–	*2.60	1.32	5.0	14.7
NAB	23.45	+.49	*23.50	18.80	4.3	13.4
NatMut	2.98	-.02	*4.06	2.50	3.0	17.0
NatFds	2.85	-.02	*3.20	2.27	3.7	10.5
Nwcrst	2.37	+.05	*2.88	1.32	–	–
NewsCp	11.30	+.61	*13.66	8.35	0.3	24.4
NrmdyM	1.49	-.02	*1.83	0.96	5.2	16.4
Nrnth	3.12	+.05	*4.54	2.85	4.5	21.9
OPSM	3.42	+.07	*4.03	3.14	4.8	16.5
Orbtl	0.80	+.04	*1.24	0.48	–	–
Orica	8.70	+.12	*11.72	7.80	5.7	–
PMPCom	2.98	–	*3.42	2.50	6.8	13.0
Pacdun	2.95	+.08	*3.27	2.37	4.7	16.8
Pasmnco	1.42	+.06	*1.78	1.05	2.8	38.4
Pionr	3.15	+.05	*4.86	2.82	8.0	13.0
PubBrc	6.30xd	+.03	*8.05	5.68	2.9	6.8
QBE In	6.82	+.14	*7.58	5.30	3.8	25.8
QCT Rs	1.08	–	*1.36	0.91	6.4	15.8

HONG KONG (Nov 11 / H.K.$)

INDONESIA (Nov 11 / Rupiah)

MALAYSIA (Nov 11 / MYR)

NEW ZEALAND (Nov 11 / NZ $)

SINGAPORE (Nov 11 / S$)

SOUTH KOREA (Nov 11 / Won)

TAIWAN (Nov 11 / TW $)

THAILAND (Nov 11 / Baht)

AFRICA

SOUTH AFRICA (Nov 11 / Rand)

AMERICAS

CANADA

TORONTO (Nov 11 / Can $)
4 pm close

MONTREAL (Nov 11 / Can $)
4 pm close

MEXICO (Nov 11 / Peso)
12.30pm

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY NOVEMBER 10 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY NOVEMBER 9 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	192.66	-1.4	171.98	149.30	168.84	205.65	0.0	3.62	195.64	174.78	150.00	171.63	205.62	219.96	163.86	205.63
Austria (22)	184.93	-0.9	164.91	143.16	161.90	161.78	-1.1	2.16	186.59	166.70	143.07	163.70	163.58	253.73	166.45	195.52
Belgium (22)	368.91	-1.6	328.99	285.59	322.98	316.15	-1.8	2.14	375.11	335.12	287.61	329.08	322.01	398.52	242.42	244.05
Brazil (32)	160.43	-3.8	143.07	124.20	140.45	351.71	-3.7	2.53	166.75	148.99	127.87	146.30	365.16	269.34	102.68	211.93
Canada (119)	190.15	-2.0	169.57	147.20	166.47	212.63	-1.4	1.88	194.06	173.38	148.80	170.25	215.55	248.78	158.94	215.15
Denmark (34)	463.41	0.0	413.26	358.75	405.71	403.51	-0.2	1.73	463.25	413.87	355.20	406.41	404.17	537.33	408.28	413.20
Finland (28)	439.55	-2.6	391.98	340.28	384.82	472.49	-2.8	1.93	451.19	403.10	345.95	395.83	485.85	506.46	267.59	317.26
France (76)	294.40	-1.3	262.54	227.91	257.75	260.80	-1.4	2.39	298.21	266.42	228.65	261.82	264.62	345.18	222.08	224.50
Germany (55)	258.97	-1.9	230.94	200.48	226.73	226.73	-2.1	1.43	263.90	235.77	202.35	231.52	231.52	325.61	208.90	215.64
Greece (35)	278.23	0.3	248.12	215.39	243.59	567.07	0.2	1.53	277.51	247.93	212.78	243.47	585.81	333.20	211.47	–
Hong Kong, China (67)	300.31	-1.1	267.81	232.49	262.92	298.42	-1.1	4.38	303.62	271.25	232.80	266.37	301.75	389.07	198.64	343.83
Indonesia (26)	42.33	4.1	37.75	32.77	37.06	209.04	-0.9	1.52	40.68	36.34	31.19	35.69	210.86	125.20	19.04	125.20
Ireland (16)	464.61	0.1	414.51	359.83	406.94	443.26	-0.1	2.14	464.54	415.02	356.18	407.54	443.85	560.44	373.47	377.75
Italy (53)	150.73	-0.6	134.42	116.69	131.96	187.54	-0.6	1.49	151.57	135.42	116.22	132.98	188.99	184.49	105.79	107.56
Japan (446)	92.18	-1.5	82.21	71.38	80.71	71.38	-0.6	1.05	93.60	83.62	71.77	82.12	71.77	109.73	76.83	100.97
Mexico (29)	1177.64	-1.5	1050.19	911.67	1031.01	12928.53	-1.3	1.98	1195.53	1068.09	916.67	1048.85	13100.72	1603.07	787.15	1509.47
Netherlands (27)	465.76	-1.4	415.35	360.57	407.77	403.56	-1.7	2.31	472.63	422.25	362.39	414.64	410.40	562.38	391.03	403.58
New Zealand (18)	58.92	-2.9	52.55	45.62	51.59	59.20	-1.4	4.87	60.66	54.19	46.51	53.22	60.06	87.09	45.68	86.16
Norway (38)	225.05	-1.1	200.69	174.22	197.03	228.58	-0.8	2.63	227.44	203.20	174.39	199.54	230.39	357.71	181.86	351.40
Philippines (22)	70.97	-5.9	63.29	54.94	62.13	144.65	-3.3	1.07	75.42	67.38	57.83	66.17	149.59	106.98	42.48	87.02
Portugal (18)	247.87	-2.4	221.05	191.89	217.01	292.85	-2.6	1.11	253.97	226.90	194.73	222.81	300.76	299.39	194.13	–
Singapore (41)	170.29	-4.3	151.86	131.83	149.09	129.99	-4.2	2.42	177.94	158.97	136.43	156.11	135.72	264.82	102.45	243.15
South Africa (39)	210.06	-3.7	187.33	162.62	183.91	259.43	-2.3	3.57	218.08	194.83	167.21	191.32	265.49	346.20	151.55	287.80
Spain (30)	358.29	-1.5	319.51	277.37	313.68	388.66	-1.7	2.04	363.88	325.09	279.01	319.24	395.24	417.73	241.06	247.55
Sweden (46)	469.34	-0.7	418.55	363.34	410.90	552.80	-0.1	2.11	472.79	422.39	362.51	414.78	553.23	628.19	379.18	478.23
Switzerland (30)	377.28	-0.8	336.45	292.07	330.31	324.91	-1.2	1.31	380.52	339.96	291.77	333.84	328.98	439.48	307.73	313.69
Thailand (35)	19.63	-10.6	17.50	15.20	17.19	28.19	-10.2	3.35	21.95	19.61	16.83	19.26	31.37	35.74	8.15	35.74
United Kingdom (208)	352.10	0.1	313.89	272.57	308.26	313.89	-0.1	3.13	351.90	314.39	269.82	308.72	314.39	401.84	307.96	319.58
USA (621)	461.98	-0.1	411.98	357.64	404.46	461.98	-0.1	1.42	462.69	413.37	354.77	405.92	462.69	485.88	389.13	375.44
Americas (801)	411.61	-0.2	367.06	318.65	360.38	349.14	-0.2	1.44	412.65	368.66	316.40	362.02	349.94	437.03	335.19	341.54
Europe (738)	327.19	-0.8	291.78	253.29	286.45	297.35	-1.0	2.28	329.94	294.77	252.98	289.45	300.38	386.24	272.02	276.03
Euroblec (347)	94.21	-1.4	84.01	72.93	82.48	89.27	-1.6	1.92	95.59	85.40	73.29	83.86	90.74	113.28	81.53	–
Nordic (146)	436.84	-1.0	389.56	338.18	382.45	437.37	-0.7	2.04	441.32	394.28	338.38	387.17	440.64	555.97	360.04	423.69
Pacific Basin (730)	99.92	-1.5	89.11	77.35	87.48	79.38	-0.6	1.64	101.43	90.66	77.81	89.03	79.88	119.48	82.88	112.26
Euro-Pacific (1468)	194.37	-1.0	173.34	150.47	170.17	161.09	-0.9	2.08	196.42	175.48	150.61	172.32	162.56	220.19	166.00	180.58
North America (740)	443.66	-0.2	395.65	343.46	388.42	444.85	-0.2	1.43	444.64	397.24	340.93	390.09	445.72	469.20	359.18	365.47
Europe Ex. UK (530)	303.97	-1.3	271.07	235.31	266.12	280.38	-1.4	1.84	307.87	275.05	236.06	270.10	284.46	388.32	242.12	246.67
Europe Ex. Euroblec (391)	89.77	-0.2	80.06	69.50	78.59	88.72	-0.4	2.62	89.95	80.38	68.97	78.91	89.04	103.93	77.40	–
Europe Ex. UK Ex. Euroblec (183)	89.94	-0.7	80.21	69.63	78.74	86.34	-0.8	1.58	90.59	80.94	69.46	79.48	87.06	109.21	75.16	–
Pacific Ex. Japan (284)	173.21	-1.6	154.46	134.09	151.64	177.53	-0.9	3.85	176.04	157.27	134.98	154.44	179.22	217.77	128.26	212.83
World Ex. Euroblec (1961)	96.28	-0.5	85.86	74.54	84.29	95.46	-0.3	1.69	96.73	86.42	74.17	84.86	95.77	103.16	83.09	–
World Ex. US (1687)	194.62	-1.1	173.55	150.68	170.39	168.20	-1.0	2.09	196.85	175.86	150.93	172.70	167.80	221.91	165.95	184.45
World Ex. UK (2100)	274.00	-0.7	244.35	212.12	239.89	245.54	-0.6	1.57	275.91	246.50	211.55	242.05	245.97	298.02	234.24	238.88
World Ex. Japan (1862)	374.54	-0.5	334.91	289.95	327.91	364.14	-0.5	1.81	376.47	336.34	288.66	330.28	366.07	411.23	312.96	318.49
The World Index (2308)	280.72	-0.6	250.33	217.32	245.76	251.88	-0.5	1.73	282.45	252.34	216.57	247.80	253.22	306.56	241.30	245.74

Emerging markets: IFC investable indices

Dollar terms

Nov 10 Market		Day's chg %	% Chg since 31/12/97
Latin America			
Argentina	874.71	+0.6	-21.6
Brazil	324.01	-3.2	-32.9
Chile	470.38	-1.7	-35.8
Colombia[1]	339.34	+1.5	-58.9
Mexico	496.75	-1.4	-37.0
Peru[2]	134.11	+0.4	-39.4
Venezuela[3]	345.10	-3.2	-62.3
East Asia			
China[4]	29.80	+0.6	-46.1
India[7]	63.41	+0.8	-23.9
Indonesia[8]	20.71	+3.4	-38.5
Korea[5]	32.55	-4.8	+35.5
Malaysia	73.72	-0.1	-19.1
Pakistan[9]	88.22	+11.4	-64.5
Philippines	101.17	-5.7	-10.3
Sri Lanka[10]	67.82	+0.6	-41.7
Taiwan, China[6]	118.04	-2.4	-17.7
Thailand	58.97	-8.5	+27.5
Europe			
Czech Rep	47.77	-2.7	-12.7
Greece	501.72	+0.3	+54.9
Hungary[11]	249.32	-2.4	-20.8
Poland[12]	543.36	-3.7	-8.9
Portugal	279.25	-2.4	+32.3
Russia	22.58	-1.3	-84.8
Slovakia	42.80	+0.1	-56.8
Turkey[14]	150.35	-0.8	-51.8
Mideast/Africa			
Egypt	66.13		-29.1
Israel	91.47	-0.3	-34.8
Jordan	206.54	-1.2	-1.8
Morocco	171.81	+0.2	+31.9
S Africa[13]	141.62	-3.6	-21.2
Zimbabwe[13]	95.71	+0.8	-62.0
Regions			
Composite	183.06	-2.0	-25.6
Latin America	450.70	-1.7	-33.5
Asia	91.32	-2.5	-15.2
EMEA	113.20	-2.1	-33.3
Europe	137.24	-1.4	-27.2
Eastn Europe	55.38	-2.6	-60.5
ME & Africa	57.69	-2.7	-19.3
Comp + Malay	183.64	-1.9	-25.3
Asia + Malay	91.77	-2.0	-14.8

Base date: Dec 1988=100 except those noted which are (1)Feb 1 1991. (2)Dec 31 1992. (3)Jan 5 1990 (4)Dec 31 1992. (5)Jan 3 1992. (6)Jan 4 1991 (7)Nov 5 1992. (8)Sep 28 1990. (9)Mar 1 1991. (10)Dec 31 1992. (11)Dec 31 1993. (12)Dec 31 1992. (13)Dec 31 1992. (14)Dec 31 1992. (15)Aug 2 1993. (16) July 2 1993.
Latest indices were unavailable for this edition.

4 pm close November 11

NEW YORK STOCK EXCHANGE PRICES

1998 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
		- A -								
32 9/16	17 7/16	AAR x	0.34	1.4	17	214	25	24 7/16	24 1/2	-7/16
44 7/16	28 1/8	AMP x	1.08	2.5	45	5764	43 1/4	43 1/8	43 5/8	+1/8
89 5/8	45 13/16	AMR			8	8403	62 3/8	59 13/16	60 1/16	-1 1/16
26 5/8	13 5/8	ASA x	0.80	3.8	13	300	21 1/8	20 5/8	20 7/8	+1/16
48	32 1/2	AbbtL x	0.60	1.3	32	15029	47 7/16	45 5/8	45 13/16	-1 3/8
10 13/16	7 5/8	AbnWld	0.40	4.0	5	898	10	9 13/16	9 15/16	+1/16
37	25	ABM Ind	0.48	1.5	22	180	31 5/16	31	31 1/4	+3/16
25 1/4	17 7/16	Acptneuda			7	42	18 15/16	18 7/16	18 7/8	+1/8
43	24 1/8	ACE Ltd	0.36	1.2	9	5944	29 3/4	29	29 7/16	+3/16
11 1/2	7 5/8	ACM Gvt In x	0.90	9.5	10	247	9 3/8	9 1/4	9 1/2	-1/16
8 7/16	7 3/4	ACM GvOpp x	0.63	7.8		17	8 1/16	8	8 1/16	
10 3/16	7 7/8	ACM Man x	0.90	10.1		171	8 15/16	8 13/16	8 13/16	+1/8
9 1/16	3 13/16	Acme Elect			23	90	5 1/16	5 1/16	5 1/8	-1/16
40 5/8	1/8	Acme Mts				25	1/4	1/4	1/4	-1/16
29 5/8	19 1/8	ACNielsen			28	378	27 7/16	26 3/4	26 15/16	-3/8
20 11/16	14	Acuson			20	1481	14 15/16	14 5/8	14 3/4	-1/8
28 1/4	21 11/16	Adams Expr	0.55	2.1	1	698	26 3/16	25 13/16	26	-1/16
30 5/8	12 1/4	AdvMic				45793	27 11/16	26 1/2	27	+1 1/4
33 3/4	14 1/8	Advest Grp	0.16	0.8	8	198	20 3/16	19 3/4	19 3/4	-1 1/8
33 5/8	13	Advo Inc			19	662	26 1/16	25 1/16	25 1/4	-3/8
111 7/16	44 7/16	Aegon	0.76	0.8	45	258	97 7/8	96 15/16	97 1/8	-2 1/4
14 5/8	6 1/2	Aeroflx				1085	13	12 1/4	12 5/8	+5/8
72 1/4	22	Aero-V	0.88	2.4	8	2797	38	37 1/2	37 3/4	-1/16
58	23	AES Corp			37	3726	44 1/2	43 1/16	43 5/8	-1 1/4
89 1/4	60 1/16	Aetna x	0.80	1.0	13	8993	79 7/16	77 7/8	77 15/16	-1 1/4
39 1/4	22 1/8	AffCom			31	900	38 13/16	37 1/4	38 1/16	+1/16
39 5/8	22 11/16	Aflac	0.28	0.7	21	2438	38 7/8	36 1/4	36 13/16	-1 5/8
38 7/8	5 1/16	AGCO	0.04	0.5	3	2965	8 7/8	8 3/8	8 1/4	-1/16
22 1/16	17 11/16	AGL Res	1.08	5.0	18	725	22	21 1/8	21 3/4	+1/16
45 1/2	29	AirPrC	0.68	1.8	14	6374	38 3/8	37 13/16	38 1/4	-1 1/4
42 7/8	14 1/4	Airbne Frt	0.16	0.6	10	5738	28 1/4	27 1/8	27 1/4	+3/16
18 13/16	9 5/8	Airgas			29	976	12 1/8	11 1/8	11 1/8	-3/8
14 1/2	12 1/8	Airlease x	1.64	12.7	12	6	12 15/16	12 7/8	12 15/16	
85 5/8	40 3/8	AirTch			50	20702	54 7/8	53 1/4	53 15/16	-13/16
22 7/8	13 5/8	AK Steel x	0.50	2.5	10	3221	20 1/2	18 7/8	19 13/16	+1/4
62 7/8	26	Alaska Air			5	1554	35 5/8	35 1/16	35 7/8	+1/4
30 3/4	16 1/4	Albany Int			17	330	18 5/8	18	18 1/16	-3/16
28 3/4	16 1/4	Albemarle	0.36	1.8	12	478	19 13/16	19	19 13/16	+13/16
32 7/8	19 1/4	AlbCuB x	0.24	1.0	17	409	25 1/8	24 1/4	24 15/16	
28 1/2	18	AlbCuA x	0.24	1.1	15	137	22 1/4	22	22 1/16	-3/16
58	44	Albtsn x	0.68	1.2	28	7588	56	55 1/4	55 3/8	-1/16
34 1/2	18 11/16	AlcnAl	0.60	2.2	16	3874	28 1/16	27 3/16	27 5/8	-3/8
[illegible]										

1998 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
73 1/4	51 1/8	BurlNth	1.32	1.9	26	332	72 1/4	71 1/4	71 1/4	-1/4
38 5/8	30	BrFerr	0.76	2.3	16	1980	32 7/8	32	32 1/16	-1/4
8 5/8	5 3/4	BRT			4	39	6	6	6	
35 13/16	17	Brspark	0.50	2.4	11	1218	21 1/16	20 5/8	20 5/8	-1/2
30	16 13/16	Brush Well	0.48	3.0		343	16 1/2	16	16 1/4	-1/4
30 1/4	20	Buckeye Pt x	2.10	7.1	15	126	29 5/8	29 1/4	29 3/8	-1/16
25 1/8	14	BuckeyeTch			13	90	21	20 1/2	20 1/2	-1/2
20 1/4	6 5/8	BrwnDR x				197	12 5/8	12 1/4	12 1/4	+1/4
27 1/4	13 3/4	Burl Coat	0.02	0.1	14	3899	18 1/4	17 1/8	17 5/8	-1/4
35 13/16	26 7/8	BurlIY	0.48	1.6	13	6972	31 3/4	30 3/4	30 13/16	-1/4
49 1/2	29 1/16	BurlRs	0.55	1.5	53	18089	38 7/8	36 1/4	37	-1
15 1/4	11 7/8	BurnhmPc	1.05	8.2	14	4226	13 1/4	12 13/16	12 7/8	-1/8
33 7/8	25	BushBoake			16	31	27	25 13/16	26 13/16	+1/16
37 5/8	20	ButlerMfg	0.56	2.3	5	60	24 7/16	24 1/8	24 7/16	

1998 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
3 3/8	1 5/8	EDC wt				18	2 1/4	2	2	
33 1/4	18 7/8	EDBG x	0.58	2.1	11	508	27 1/4	26 1/8	26 13/16	-1 1/8
37 1/4	20 1/4	Eastgrp x	0.16	0.5	33	1121	35 1/2	34 3/4	35	+1/8
27 1/4	23 1/4	East Utils x	1.66	6.6	14	732	25 1/8	25 1/8	25 3/8	-1/8
45 3/8	37 5/8	E Enterpr	1.68	4.1	16	281	41 1/4	40 13/16	41 1/16	-1/4
72 13/16	49 1/4	EastCh	1.76	3.0	16	1570	60 5/8	58 3/4	59 3/4	-1 1/8
88 5/8	57 13/16	EKodak	1.76	2.3	63	9825	78 5/8	77 1/2	77 3/4	-1/2
99 7/8	57 1/2	Eaton x	1.76	2.7	10	2241	67 5/8	66 1/8	66 5/8	+1/4
33	26 1/8	Ecolab	0.38	1.2	28	2423	30 7/8	30 1/8	30 5/8	+1/8
31	25 1/8	Edisint	1.04	3.8	13	7981	27 1/2	27	27 1/2	+1/2
48 13/16	22 5/8	EdwrdAG	0.56	1.6	11	1538	35 1/8	33 13/16	34 1/4	-1
8 7/8	2 13/16	Elco Group			10	457	3 7/8	3 1/4	3 1/4	-1/8
76 1/4	48 1/4	Elan ADR				1442	68	67 1/16	67 1/4	-1/8

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EUROBENCH® "INSECTS®" INDICES

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Sector		SETT 11-11-1998	Close 11-11-1998	Previous 10-11-1998	Change on day	% Change	1998 HIGH	1998 LOW
Financials	USD	1912.25	1913.66	1889.89	+23.77	+1.25	2451.80	1392.66
IN-FIN	DEM	2251.90	2251.29	2221.08	+30.21	+1.36	3089.15	1698.17
Non-durable goods	USD	I1717.34	I1718.36	1704.95	+14.43	+0.84	1768.87	1269.24
IN-GOODS	DEM	I2022.43	I2022.74	2003.74	+19.00	+0.94	2185.69	1454.47
Oils	USD	I1284.38	I1282.47	1286.02	-3.55	-0.27	1630.98	1132.98
IN-OIL	DEM	I1523.80	I1520.50	1523.14	-2.64	-0.17	2027.16	1381.56
Pharma-chemicals	USD	1428.35	1427.37	1412.21	+15.16	+1.07	1880.88	1365.35
IN-PHARMA	DEM	1679.75	1679.21	1659.69	+19.52	+1.17	2115.51	1445.92
Telecoms	USD	2181.82	2185.88	2133.16	+52.72	+2.47	2437.22	1665.25
IN-TELCO	DEM	2580.40	2571.54	2506.98	+64.56	+2.57	3072.26	1862.52

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Nov 10	Nov 9	Nov 6	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	8883.98	8897.98	8975.46	9337.97 (17/7)	7539.07 (31/8)	9337.97 (17/7/98)	41.22 (8/7/32)
Home Bonds	106.12	106.09	106.34	107.82 (5/10)	104.42 (11/5)	107.82 (5/10/98)	54.99 (1/10/81)
Transport	2854.79	2909.64	2968.49	3686.02 (16/4)	2345.00 (8/10)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	310.08	307.38	307.05	320.51 (8/10)	282.68 (8/1)	320.51 (8/10/98)	10.53 (8/7/32)

DJ Ind. Day's high 9020.80 (9024.88) Low 8780.99 (8813.00) (Theoretical¶)
Day's high 8928.35 (8985.58) Low 8854.71 (8845.95) (Actual¶)

Standard and Poors	Nov 10	Nov 9	Nov 6	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1128.26	1130.20	1141.01	1186.75 (17/7)	927.69 (8/1)	1186.75 (17/7/98)	4.40 (1/6/32)
Industrials¶	1348.90	1345.86	1369.24	1380.48 (17/7)	1077.40 (8/1)	1380.48 (17/7/98)	3.52 (30/6/32)
Financial¶	120.97	122.45	125.31	147.89 (14/7)	95.80 (8/10)	147.89 (14/7/98)	7.13 (4/8/74)
Others							
NYSE Comp.	557.42	559.14	565.10	600.75 (17/7)	477.20 (8/10)	600.75 (17/7/98)	4.64 (25/4/42)
Amex Comp	666.09	666.11	670.80	753.67 (22/4)	563.75 (8/10)	753.67 (22/4/98)	524.20 (16/7/98)
NASDAQ Cmp	1865.82	1861.05	1858.58	2014.25 (20/7)	1419.12 (8/10)	2014.25 (20/7/98)	54.87 (3/10/74)
Russell 2000	396.86	398.43	400.32	491.41 (21/4)	310.28 (8/10)	491.41 (21/4/98)	123.36 (7/12/93)

RATIOS

	Nov 6	Oct 30	Oct 23	Year ago
Dow Jones Ind. Div. Yield	1.68	1.75	1.77	1.76
	Nov 4	Oct 28	Oct 21	Year ago
S&P Ind. Div. yield	na	1.36	1.36	1.50
S&P Ind. P/E ratio	na	31.32	31.24	25.28

US DATA

MARKET ACTIVITY

Volume (million)	Nov 10	Nov 9	Nov 6
NYSE	679.730	593.000	693.150
Amex	35.105	24.223	23.701
NASDAQ	914.229	848.888	941.765

NYSE	Nov 10	Nov 9	Nov 6
Issues Traded	3,585	3,506	3,529
Rises	1,247	1,109	1,705
Falls	1,780	1,917	1,330
Unchanged	478	480	490
New Highs	45	53	68
New Lows	30	25	31

NYSE TRADING ACTIVITY

Volume : 679,730,000

ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Compaq	15,314,200	32¼	
Chrysler	10,873,000	45⅞	−1
Citigrp	9,796,100	43⅝	−1⅝
AmOnLine	8,436,800	145	+⅝
PhMorr	8,351,800	54⅛	+1⅛
AmHome	6,200,500	49⅝	−¼
Disney	5,108,000	28⅝	−¼
LucentTch	4,882,800	89	+⅝
Cendnt	4,447,100	13⅝	−⅛
OffDep	4,273,700	27⅞	+1⅝

BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Orb Scnce	38⅛	+3⅝	+10.9
Diebold	34⅝	+3⅛	+10.3
Bari Cosm	18⅝	+1⅝	+10.2
Handleman	11½	+1	+9.5
Downs			
Bestfds	38	−4⅛	−10.1
EngyNetw	24⅞	−2⅛	−8.0
Rowan	13	−1⅛	−8.8
UniFirst	21½	−2	−8.5

NASDAQ TRADING ACTIVITY

Volume 914,229,080

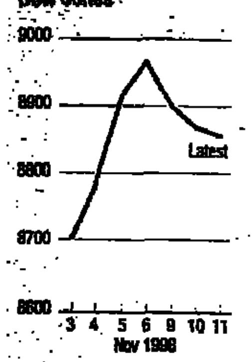
ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
DellComp	39,288,700	70⅛	+1⅛
Intel	20,636,200	97⅞	+1⅛
Excite	19,241,400	51⅝	+4⅛
Micsft	17,682,800	112⅛	+1⅝
Egghead	16,006,900	13⅝	+2⅛
Yahoo	12,932,900	177	+12⅝
CiscoSys	11,683,100	66⅝	−⅝
Netscp	10,704,700	28⅝	−1
WorldCm	10,091,690	55⅞	−⅛
eBay Inc	10,050,400	130⅝	+27⅝

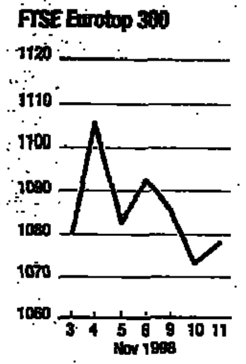
BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
eBay Inc	130⅝	+27⅝	+27.1
Egghead	13⅝	+2⅛	+21.3
WstAir	11⅛	+1⅝	+13.7
Realnetwk	47⅝	+5⅞	+13.5
Downs			
TriadGuaty	21½	−3⅛	−12.9
AspenT	14⅝	−2	−11.9
Tom Brown	14⅛	−1⅞	−11.4
TecSol	10⅞	−1⅛	−10.1

Dow Jones



FTSE Eurotop 300



JAPAN

	Nov 11	Nov 10	Nov 9	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	14428.02	14108.08	14194.54	17264.34	12879.97	38915.9	85.25

Day's high: 14428.02 Day's low: 14065.51

TOKYO TRADING ACTIVITY

Volume : 386,000,000

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Sakura	21,943,000	350	+33
FujiBk	14,720,000	542	+36
YasTrB	8,240,000	149	+14
NoSti	7,827,000	221	+3
Tshiba	5,865,000	586	+3
SumTrB	4,987,000	379	+19
MitTrB	4,518,000	179	+10
SumMt	4,430,000	122	
NikkCo	4,413,000	70	+1
SumRlt	4,408,000	415	+15

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
NisDst	205	+35	+20.6
GoShos	273	+38	+16.2
SumHvy	238	+30	+14.4
Sakura	350	+33	+10.4
Downs			
Rohm	10050	−1400	−12.2
Amada	658	−31	−4.5
PentaO	260	−11	−4.1
TkGelu	475	−16	−3.3

FRANCE

	Nov 11	Nov 10	Nov 9	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	closed	3544.74	3585.32	4388.48	2852.54	4388.48	984.61

Day's high: – Day's low: –

PARIS TRADING ACTIVITY

Volume : 811,388,360

ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
FrTele	1,881,294	379.8	+9.9
Alcatl	1,482,867	683	−17
RhonPA	1,371,819	254.8	−18.2
Usinor	876,327	83.2	−2
Axa	745,587	633	−13
BNP	588,222	349	−8
Schndr	547,676	324.9	−8.4
Paribas	517,234	416	−19.1
TotalB	497,709	672	−8
Rnault	457,168	235	−3.2

BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Rexel	534	+36	+7.2
CNP	185	+8	+4.5
SAT	2070	+89	+4.5
Downs			
CrFonF	84	−9	−9.7
Alos	1031	−90	−8.0
Accor	1124	−76	−6.3
Moulinx	100	−6.5	−6.1
Technip	554	−36	−6.1

GERMANY

	Nov 11	Nov 10	Nov 9	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	4717.70	4682.78	4768.59	6171.43	3896.05	6171.43	931.18

Day's high: 4755.43 Day's low: 4697.12

FRANKFURT TRADING ACTIVITY

Volume : (u)

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Dt Tel	541,597	45.7	−0.45
BASF	502,690	62.9	−1.1
Bayer	399,705	64.85	+0.1
Comzbk	373,478	53.5	+1
Siemns	313,694	112	+3.2
Veba	298,565	91.3	−0.4
H'chst	278,955	72.5	−1.7
Lufthn	270,865	35.2	+0.2
Thyssen	236,183	217	
Metro	225,817	109.4	+7.9

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Metro1	66.85	+5.55	+9.1
Metro	109.4	+7.9	+7.8
Hizonn	202	+12	+6.3
Porsche	3700	+200	+5.7
SKW	46.3	+2.5	+5.7
Downs			
AaMnRg	280	−13	−4.4
Strabag	115	−5	−4.2
BilfBg	39	−1.5	−3.7

UK

	Nov 11	Nov 10	Nov 9	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	5478.8	5432.3	5433.9	6179.00	4648.70	6179	986.9

Day's high: 5516.3 Day's low: 5432.3

LONDON TRADING ACTIVITY

Volume : 858,300,000

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Br Petroleum	18,730,980	886	+4
Shell	18,284,710	343¼	+2¾
S'Kline Bchm	14,018,890	725½	+7½
Billiton	12,518,280	293½	+2
BTR	11,888,900	165	+2½
Br Telecom	11,826,810	843	+12
De La Rue	11,134,230	177	+1½
Lloyds TSB	10,076,480	776½	−7
Tesco	9,969,379	178½	+2½
Booker	9,872,981	65	+1½

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Heritage Bath	186½	+44	+28.8
Stanford Rook	82½	+18½	+21.7
Oxford Micr	85½	+14	+19.6
Crabtree	45½	+7	+18.9
Marston Thm	231	+32½	+16.4
Downs			
Inner Wkngs	47½	−12	−20.2
Silk Inds	50½	−7	−12.2
Ind News	200	−27½	−12.1

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	1136.10	1138.70	–	1142.00	1137.50	88,575	406,368
Mar	1149.00	1148.50	+8.70	1152.50	1148.50	1,040	14,286
Nikkei 225	**Open**	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open int.**
Dec	14110.0	14480.0	+370.0	14480.0	14070.0	25,778	191,567
Mar	14010.0	14400.0	+370.0	14400.0	14010.0	31	7,626

Open interest figures for previous day.

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Nov	3589.0	3552.0	–	3610.0	3530.0	47,745	217,047
Dec	3605.0	3560.5	–	3605.0	3544.5	3,379	79,096
DAX							
Dec	4750.0	4723.5	+30.5	4779.0	4698.5	17,360	81,163
Mar	4798.0	4763.0	+9.5	4815.0	4741.5	34	3,230

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Nov	647.00	646.00	+5.00	653.25	644.00	29,231	214,479
Dec	646.85	649.00	+10.50	654.75	646.50	11,834	7,455
SOFFEX							
Dec	6629.0	6674.0	+97.0	6717.0	6617.0	23,473	160,172
Mar	6670.0	6697.0	+143.0	6718.0	6670.0	133	4,963

WORLD MARKETS AT A GLANCE

Country	Index	Nov 11	Nov 10	Nov 9	1998 High	1998 Low	Yield	P/E
Argentina	General	18811.93	18788.65	18718.28	23485.47 23/3	12903.14 10/9	3.37	12.30
Australia	All Ordinaries	2720.7	2682.4	2689.1	2881.40 18/4	2458.20 1/9	3.13	20.40
	All Mining	631.3	627.6	639.1	713.10 23/4	489.80 31/8		

News Corp drove forward ahead of Q1 results next week. Banks and retailers also outpaced as rises beat falls by 3 to 2.

Country	Index	Nov 11	Nov 10	Nov 9	1998 High	1998 Low	Yield	P/E
Austria	Credit Aktien	(u)	(u)	(u)	584.34 28/5	345.44 8/10	1.97	12.60
	ATX Index	1139.21	1136.70	1145.88	1628.86 28/5	982.88 1/10		

Lenzing, fibre maker, biggest gainer with a 2 per cent rise. Bank Austria came under pressure.

Country	Index	Nov 11	Nov 10	Nov 9	1998 High	1998 Low	Yield	P/E
Hungary	Bux	5612.18	5529.87	5743.39	8916.36 23/4	3775.02 21/9	na	na

Turnover low and interest from foreign investors light. Gainers included chemicals company TVK.

Country	Index	Nov 11	Nov 10	Nov 9	1998 High	1998 Low	Yield	P/E
India	BSE Sens.	2976.17	3004.87	2983.57	4280.96 21/4	2764.16 20/10		
	Crisil 500	589.63	591.13	587.77	815.62 21/4	557.68 20/10	na	na

Profit-taking and foreign fund selling pushed the index down after two days of rises.

Country	Index	Nov 11	Nov 10	Nov 9	1998 High	1998 Low	Yield	P/E
Indonesia	Jakarta Comp.	363.00	357.30	364.39	554.10 2/2	256.83 21/9	2.83	22.40

Lifted with a splash amid rising hopes special session of People's Consultative Assembly will pass without major unrest.

Country	Index	Nov 11	Nov 10	Nov 9	1998 High	1998 Low	Yield	P/E
Portugal	BVL 30	4683.72	4587.68	4810.55	6178.89 22/4	3988.08 2/10	2.05	26.60
	PSI 20	10730.45	10735.06	11008.21	14292.98 22/4	8114.81 2/10		

Market mixed with only motorway operator Brisa, in which state recently floated stake, registering significant activity.

Country	Index	Nov 11	Nov 10	Nov 9	1998 High	1998 Low	Yield	P/E
Russia	RTS	60.75	60.66	(u)	411.61 5/7	38.53 5/10	na	na

Shares closed slightly higher but volumes almost completely dried up.

Country	Index	Nov 11	Nov 10	Nov 9	1998 High	1998 Low	Yield	P/E
Singapore	SES All-S'pore	352.68	335.12	348.51	437.98 19/3	253.20 4/9	2.40	18.50
	Straits Times	1236.82	1172.06	1219.28	1698.75 19/3	805.04 4/9		

Boosted by firmer local dollar, easier interbank rates and government proposals for reductions in business costs.

THE NASDAQ STOCK MARKET

4 pm close November 11

THE NASDAQ STOCK MARKET

AMEX PRICES

4 pm close November 11

EASDAQ

STOCK MARKETS

Yen's recovery lifts emerging markets

WORLD OVERVIEW

Investors in Asian markets sighed with relief as the region's equities gained ground, aided by the yen's rebound against the dollar *writes Emiko Terazono.*

Emerging market investors were braced for a fresh round of selling brought on by the yen's fall to the Y122 level earlier in the week, but the yen regained ground, supporting other Asian currencies. Tokyo rose 2.3 per cent, Singapore 5.5 per cent and Bangkok 5.8 per cent. Jakarta rose 1.6 per cent in spite of political and social uncertainties. Seoul and Taiwan, however, bucked the trend.

With a global financial meltdown averted, and the yen surging against the dollar, emerging markets seem to have become a little less dangerous for investors. In spite of the weakness of the Japanese economy, the yen could remain firm, providing Asian markets further breathing space.

Morgan Stanley sees fund flows supporting a stronger yen, and is forecasting a year-end level of Y105, while the average estimate for next year was raised from Y142 to Y133.

A continued unwinding of dollar/yen positions by foreign investors, a decline in foreign investments by the Japanese, and Japan's rising current account surplus is expected to lead to a substantial dollar supply.

Asia's recovery has helped the entire emerging markets universe, notably South Africa. Johannesburg's overall index has risen more than 33 per cent in dollar terms from its September low. As global risk averseness recedes and investors again focus on valuations, South Africa could offer the potential of relative outperformance, says Matthew Merritt, strategist at ING Barings.

Although South Africa had been the focus of emerging market investors due to its low correlation with the rest of the sector, it *has fallen* victim to the contagion which has hit emerging markets over the past year.

Due to the rise in "hot money", Johannesburg has been stripped of the safe-haven status that has characterised its performance over the past few years.

ING Barings points out that since the middle of last year, South African shares have underperformed benchmark indices on the way down and outperformed as emerging markets rallied.

If this pattern continues, South Africa should be a leading beneficiary of a rebound in emerging markets. Although it needs to finance its current account gap, its companies do not face the insolvency problems of Asian countries, while unlike Brazil, it is unlikely to fall into a recession.

US shares slip back after early surge

AMERICAS

US *shares opened stronger* but lost much momentum by midday, in spite of a rally in the computer sector and enthusiastic demand for three new public offerings, *writes John Labate in New York.*

By early afternoon the Dow Jones Industrial Average had fallen 32.44 to 8,831.54, and the broader Standard & Poor's 500 index was down 1.06 to 1,127.20.

"A 9,000 Dow has been in the past a real psychological barrier and it's going to be so again," said Arthur Hogan, chief market analyst at Jeffries & Co in Boston.

"This entire rally has been about monetary policy easing and the results of mid-term elections, which means we are not trading on [corpo*rate] fundamentals," added* Mr Hogan.

Expectations of an interest rate cut by the Federal open market committee when it meets next Tuesday has provided support for market's recent run-up. Some expect the equity market's recent choppiness to continue until a decision is made at the FOMC meeting.

Intel's comments late Tuesday, that it was likely to beat consensus earnings expectations for the fourth quarter, sent investors charging back to chip producers, software companies and computer makers. Higher high-tech prices sent the Nasdaq composite index 15.60 higher by midday, a gain of 0.84 per cent, to 1,881.22.

Intel surged 5 per cent, touching a new trading high early in the session, to $102 13/16. Texas Instruments climbed more than 6 per cent to $68.

Software stocks rallied as well, led by Oracle, up nearly 7 per cent to $33 11/16.

Computer maker Hewlett-Packard rose 3.5 per cent *or $2¼ to $65 13/16.*

Three much anticipated initial public offerings rallied in early trading. Fox Entertainment traded at a 10 per cent premium from its offer price, up $2 5/16 to $24 13/16, while Mony Group traded at a 20 per cent premium at $28 5/16. Most surprising was a thinly traded internet stock, Earthweb, which traded at a 250 per cent premium from its offer price at $49¼.

The Russell 2,000 index of small company shares was flat at 396.94. The US Treasury market was closed yesterday for Veterans Day.

TORONTO moved ahead *on hopes of a US rate cut* next week, and the TSE 300 rose 45.43 or 0.7 per cent to 6,303.70.

With most financial *institutions and the bond market* closed for Rememberance Day, trading was thin.

Of the 14 sub-indices, 11 were higher, led by financial services, *which rose 2 per* cent. Royal Bank of Canada rose C$1.65 to C$68.25 and Bank of Montreal C$1.40 to C$58.65.

Metals and minerals were among the losers, with the sector down 0.2 per cent, while consumer products fell 0.5 per cent and communications and media 0.8 per cent.

SAO PAULO was hit by profit-taking as investors chose to ignore rising hopes of a rate cut. The Bovespa index fell 177 or 2.2 per cent to 7,823 in spite of expectations of a cut of the central bank's benchmark assistance lending rate which stands at 49.75 per cent.

MEXICO CITY firmed on gains in other international markets, with the IPC index adding 22.25 or 0.5 per cent to 4,165.02.

Investors shrugged off weakness in Brazil and followed Wall Street.

Metro helps Frankfurt to end two-day slide

EUROPE

*Positive corporate announce*ments, in the absence of any other news, enabled **FRANKFURT** to call a halt to its two-day slide and the *Xetra Dax index finished* 23.98 higher at 4,705.32.

Turnover on the day was low, however, which tended to exaggerate price movements.

Retailer Metro was a win*ner, rising DM6 to DM107 as* reports of a special news conference on Friday pro*voked speculation about an* IPO or the sale of its Vobis computer retailer.

Analysts noted that recent rumours had suggested Wal-*Mart of the US or a French* company could be lined up for a deal with the German group.

On a mixed day for banks, *Commerzbank rose 88 pfg to* DM53.50 at its third quarter net income figures outshone those of its rivals. Deutsche Bank gave up DM1.20 to *DM101 on news that it would* probably not bid for BfG Bank but would continue to look to Japan for further alliances.

Among the chemicals groups, Schering rose DM7.90 to DM195 on nine-month results and details of its plan to buy back DM500m of its own shares.

Bayer, weak on Tuesday, eased another 4 pfg to DM64.76 in spite of its forecast of higher earnings this year.

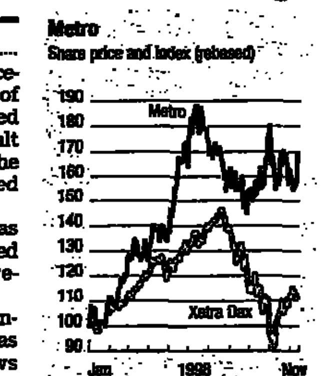
Continental was DM1.69 higher at DM41.50 on news that it was to take over Mexico's largest tyre maker.

ZURICH bounced higher as highly speculative stories that Roche and Novartis might be about to merge paved the way for a rebound from Tuesday's losses. The SMI index finished 93.3 higher at 6,657.4.

Novartis rose SFr66 to SFr2,554 and Roche certificates were SFr160 higher at SFr16,060 as many analysts dismissed any suggestion of a union. Other dealers pointed to Ciba and Clariant, noting that their planned merger had taken the market by surprise.

Other companies with *chemicals operations were* stronger. Alusuisse rose SFr58 to SFr1,632 and Ems rose SFr90 to SFr8,660.

The FTSE Eurotop 300 index **rose 5.99 or 0.6 per cent to 1,079.21. See Euro Prices page.**



Among financials, Swiss Life shot up SFr76 to Sfr980 on speculation that UBS *might do something with its* 25 per cent stake in the insurer before the end of the year. UBS rose SFr5 to SFr363 and CS Group was *SFr2 higher at SFr201.25.*

AMSTERDAM edged upward as technology stocks prospered on the back of the sector's recent good perfor*mance in the US. The AEX* index rose 9.54 or 0.9 per cent to 1,052.34.

US buyers were active after Intel announced late on *Tuesday that it was optimis*tic about demand for personal computers in the fourth quarter.

ASM Lithography, the semiconductor equipment maker, climbed Fl 6.40 or 13.6 per cent to Fl 53.40, while Baan, the software company, recovered some of Tuesday's 10 per cent plunge to finish up 40 cents or 1.5 per cent at Fl 27.40.

Unilever, the Anglo-Dutch consumer products manufacturer, finished up Fl 4.50 or 3.1 per cent at Fl 148.50, helped by news that the Japanese government might cut taxes soon.

Aegon, the insurance group, fell Fl 5.30 or 2.8 per cent to Fl 184.50. Dealers said the stock was over-valued and had been sold on both the stock and options markets.

MILAN moved forward with other European markets amid signs of greater optimism in Japan about the prospect of economic recovery.

The Mibtel index finished up 277 or 1.4 per cent at 20,491, reflecting a similar rise in the Mib30 index of blue-chip companies.

Shares in CIR, the Italian *industrial holding company* controlled by Carlo De Benedetti, closed up L8 or 0.5 per cent at L1465 after the company said it hoped within a month to win court approval *for a planned share buyback.*

CIR added that it was ready to make significant investment in Aeroporti di Roma, the state majority-*owned airport operator ear*marked for full privatisation.

ADR shares closed up L465 or 4.2 per cent at L11,520. Shares on Fiat, the carmaker, rose L22 or 0.5 per cent to L4,695, in spite of a profits downgrade by Goldman Sachs, which cut its earnings per share forecasts by 30 *per cent for this year* and by 49 per cent for 1999.

MADRID turned back to close flat after a late sell-off sparked by futures prices and the slow opening in New York. The General index finished 1.52 higher at 789.80.

Acerinox underperformed, losing Pta135 to Pta3,180 as *the steelmaker disappointed* the market with its nine-month results.

Argentaria, however, bucked a weaker trend in *the banking sector with a* rise of Pta35 to Pta3,045 after Credit Suisse First Boston upgraded its 12-month price target to Pta3,630.

● Paris and Brussels were closed for public holidays.

Written and edited by Michael Morgan, Emiko Terazono, Michael Peel and Peter Hall

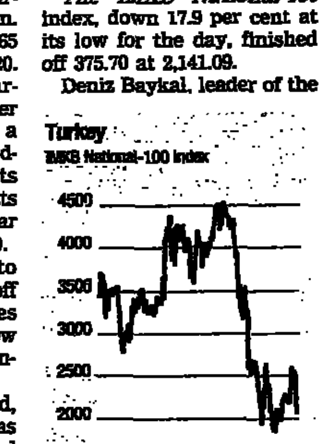
Istanbul rocked by scandal

Turkish shares crashed *almost 15 per cent,* rocked by calls by an opposition leader for the minority government of Mesut Yilmaz, to resign over alleged corruption.

The IMKB National-100 index, down 17.9 per cent at its low for the day, finished off 375.70 at 2,141.09.

Deniz Baykal, leader of the Republican People's party, called for the prime minister to resign after a television broadcast of taped accusations against the govern*ment by a businessman* involved in the sell-off tender for Turkbank.

Parliamentary censure motions were also tabled against Mr Yilmaz and the minister for the economy.



MARKET FOCUS

Telecom launch lights up Paris

This week's decision by the French finance ministry to revive the launch of a second tranche of shares in France Telecom, the partly privatised telecoms operator, was widely seen as signalling the end of the recent correction in share prices.

The flotation was suspended last month as a result of instability in the financial markets.

However, two days into the relaunch, banks were reporting strong interest from retail investors, including existing shareholders who have seen their France Telecom shares slide from a high of FFr498.50 before the summer, to FFr379.90 on Tuesday (yesterday was a national holiday).

Analysts interpret the strength of demand as a reflection of a general return of investor confidence. Merrill Lynch is one of several investment banks recommending an "overweight" position in French stocks.

The CAC 40 blue-chip index closed at 3,544.7 on Tuesday, up 34 per cent from its 52-week low of 2,649.5, but still 20 per cent below its peak of 4,404.9, reached in late July, before the global correction induced by the Russian debt default.

"Investors have gone back to focusing on fundamentals, after losing sight of them during the correction," said Isabelle Delattre, head of equities at Expertise Asset Management, the French fund manager that is part of United Asset Management of the US.

In the longer term, analysts believe the market will *be underpinned* by several positive factors. These include the introduction of the single currency in just over six weeks, which *should increase foreign* demand for French shares as currency risk is eliminated.

Signs that the government is moving towards the creation of funded pension schemes to top up the existing state-backed redistributive system are also encouraging. It is expected that the tax treatment of pension funds will encourage long-term equity investment.

But the bourse is not completely immune to bad news in the short term.

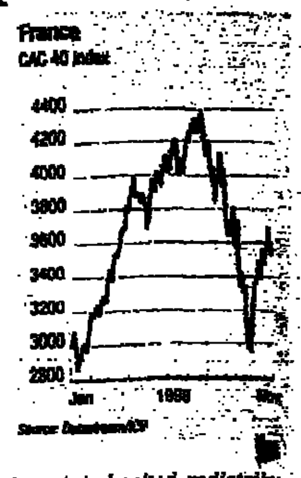
While consumer confidence remains near its 10-year high reached in September, manufacturers have been more pessimistic since the beginning of the summer.

"Manufacturers, especially in the export sector, are still worried about the effects of the emerging markets crisis," said Jacques Delpla, markets economist at Barclays Capital in Paris.

With the euro now widely expected to start life as a strong currency, any significant weakening of the dollar could result in lower exports for the EU as a whole. Profits of French companies, which are particularly dependent on exports, could be among the worst hit.

Ms Delattre does not rule out downward *revisions* in profit forecasts. "Profit growth prospects for 1999 are not yet very clear," she says. As a result, "fund managers are being very defensive in their stock picking, ignoring the fact that the best performances in recent weeks have been among cyclical shares".

Samer Iskandar



Jo'burg ends two-day decline

SOUTH AFRICA

Johannesburg crept back into positive territory, calling a halt to a two-day losing streak. The overall index finished 37.7 higher at 5,821.6, off opening peaks, while industrials added 57.3 to 6,672.8. Golds rose 6.9 to 967.3 as bullion hovered around $293.40 an ounce.

Packaging company Nampak lost 25 cents to R9.25 as investors locked in profits after the group reported better-than-expected full-year results.

Tax-cut hopes boost Tokyo

ASIA PACIFIC

Shares in **TOKYO** surged after a new wave of optimism erupted over the government's tax cut plans, *writes Gillian Tett.*

The Nikkei 225 average, the most widely quoted stock market indicator, rose 319.93 or 2.3 per cent to close at its day's high of 14,428.02, up from a low of 14,065.51.

The Nikkei 300 rose 4.60 or 2.1 per cent to 219.39. Topix, the broader measure, which covers all first section issues, rose 19.80 or 1.8 per cent to 1,098.12.

The rally in the Nikkei followed a small slippage in the index on Monday. However, traders pointed out that in spite of Monday's dip, the index had now stayed above the psychologically important 14,000 level for six straight trading days – the first such extended streak since early September.

This provides one hint that the markets are becoming more optimistic about the economic outlook, in the aftermath of hints that the government is now mulling new tax cuts. Indeed, some international investment banks such as Morgan Stanley have become more bullish recently in their recommendations on Japan.

However, traders pointed out that volumes remained very light, suggesting the recent rally is still being driven by low levels of liquidity.

Trading volume on the TSE came to an estimated 380m shares, up from the 366m traded on Monday but still low by historical standards. Gainers beat losers 811 to 309, while 151 issues remained unchanged. The Osaka index closed at 14,639.61, 32 up on the day.

BANGKOK was supported by a rebound in the yen and regional currencies, and the SET index jumped 19.64 or 5.8 per cent to 356.26.

The rally in the yen and the rise in the Thai baht triggered hopes of a rate cut. Retail buyers supported finance, banking and property issues, which fell sharply earlier in the week. Finance stocks jumped 20 per cent, property 10 per cent and banks 9 per cent.

Banks and financial stocks led the activity, with Krung Thai Bank up Bt2.25 to Bt18.50 and Securities One Bt1.90 to Bt9.90.

SINGAPORE jumped more than 5 per cent, ending a sequence of four successive falls. Brokers said the market had responded to a strong performance by the Singapore dollar on Asian foreign exchange markets.

The Straits Times index rose 64.76 or 5.5 per cent to 1,236.82. The rally was led by the property sector, up 12.3 per cent to 444.98. Other gainers included banks and Singapore Airlines.

HONG KONG rallied 4.3 per cent as bargain hunters turned out after its four session pull-back. The Hang Seng index gained 415.99 to end at the day's high of 10,137.32 in turnover that picked up to HK$7.8bn.

Cathay Pacific jumped 55 cents to HK$7.70 on news of an agreement in principle with Philippine Airlines on a possible alliance.

SYDNEY pushed 1.5 per cent higher on a strong showing by banks and News Corp after the flotation of its Fox Entertainment Group was priced in New York at A$22 a share. The All Ordinaries index put on 38.3 to 2,720.7 as News Corp shares jumped 51 cents or 4.7 per cent to A$11.30.

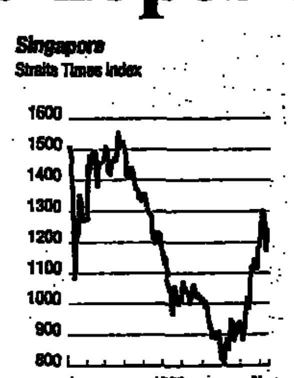
Westpac led the charge in banks, putting on 31 cents to A$9.93 as the market responded to its full-year earnings.

MANILA recovered most of its Tuesday losses as buyers bought shares in blue-chip companies. The composite index finished up 71.13 or 4.3 per cent, compared with falls of 4.7 per cent and 4.4 per cent on Monday and Tuesday.

Traders said the advance was founded on hopes that Philippine Long Distance Telephone, the dominant telecommunications provider, was set to announce a deal with Metro Pacific, which is majority owned by First Pacific, the Hong Kong-based conglomerate.

PLDT closed up 25 pesos or 2.5 per cent at 1,005 pesos, while Metro Pacific jumped 34 centavos or 20.4 per cent to 1.64 pesos.

TAIPEI lost ground on growing concerns over cash flow problems at companies involved in speculative investments, and the weighted index fell 157.51 or 2.3 per cent to 6,654.79.



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